

INA FOOD INDUSTRY: A COMPANY THAT MAKES EMPLOYEES HAPPY

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ABSTRACT. This research illustrates how a traditional Japanese company, Ina Food Industry, focuses on talent operations, engagement, their well being and social innovation. The authors worked with key executives and talent operators from Ina Food Industry to underpin the main characteristics of their talent operations strategy and to determine how the organization draws from its corporate philosophy and core elements of traditional Japanese culture to create sustainable user engagement and to develop a unique employee value proposition.

Keywords: Innovation, Japan, Organization, Transformation, Sustainability, Talent, Strategy, Ethics

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Background

Ina Food Industry Co. Ltd. (hereinafter, “Ina Food”) is headquartered in Ina City (Nagano Prefecture) and it the largest manufacturer and seller of *agar-agar* in Japan. *Agar-agar* is a traditional vegetable gelatin made from seaweed. Ina Food’s leading product has been commercial *agar-agar* for food manufacturers. Ina Food has also launched numerous products for household use, such as jellies, seaweed salads, Bavarian cream and various soups commercialized under the “Kanten Papa brand name,” products which account for 30% of the company’s sales. Although this brand is not widely known throughout the world, as its products are being sold mainly in select stores in Nagano and Yamanashi prefectures in Japan, the company has many customers and fans across Japan, many of who purchase products through direct sales channels. In addition to food, Ina Food also sells a range of *agar* products for other household and agricultural uses.

In 2015, Ina Food held approximately an 80% share of the domestic Japanese market and a 15% share of the global market of commercial-use agar products. The company achieved growth in revenue and profit for the 58th consecutive year from its foundation in 1958 until 2015, while its operating profit ratio also exceeded 20% increase.

Despite its continuous growth and its remarkable business results, Ina Food has never set an annual sales target. As a general guideline, it aims to slightly increase their sales number in comparison with that of the previous year. Hiroshi Tsukakoshi, the founder of the company, said, “I want Ina Food to improve little by little every year, and I want my employees to become a little happier every year. Because that is what I would like to achieve, I am committed to the gradual growth and solid management of the company.”⁶

⁶ “Chōrō no Chie (The Wisdom of Elders) Part 1 of 4 — Hiroshi Tsukakoshi — Making Employees and Society Happy: That is the Way a Company Should Be”, in *Shukan Toyo Keizai*, April 23, 2011 edition.

Research Methodology

We conducted research based on an actual business case study. The authors of this research also engaged in first-hand participatory observation, working as in-house consultants, organizational performance assessors and talent review officers for the organization. Therefore, we could observe directly various decision-making processes, managerial initiatives and we could engage in executive conversations with key decision makers (Yin 2003). In addition, we conducted 568 surveys, 8 focus group interviews and 26 focus group interview (FGI) sessions comprising of talent managers, project owners, organizational architects, chief engineers and corporate executives.

Hiroshi Tsukakoshi, the “Real” Founder of the Company

Hiroshi Tsukakoshi was born in 1937 in Nagano Prefecture. His father, an artist of Western paintings, passed away when Hiroshi was two years old, so he was raised by his mother. His mother had multiple jobs in addition to farming, and Hiroshi helped her farm work. Life was not easy; he spent his days busy back and forth between home and school during school hours to help his mother out with farm work. Stricken by tuberculosis at the age of 17 due to overwork and malnutrition, he was forced to spend as long as three years in the hospital and ended up dropping out of high school despite his excellent grades in school.

After being discharged from long-term hospitalization, Tsukakoshi joined a lumber company in the Ina region. His diligent work caught the president’s attention, and a year and a half later in 1958, he was put in charge of the management of an affiliated agar factory, a small-sized corporation called “Ina Chemical Agar Co., Ltd.,” which produced agar-agar and was the predecessor of Ina Food. Hiroshi Tsukakoshi was dispatched as “acting President” to rebuild the company that had been under the control of a bank due to its poor performance.⁷ This year was the year

⁷ “Management Strategies — Special Feature on a Leading Small Company — Find Opportunities through ‘Unconventional Management’ — Conviction, Persistence and Eye-Opening Ways of Thinking: *Ina Food Industry’s Agar Manufacturing*,” *Nikkei Business*, January 8, 2001.

the current Ina Food incorporated (1958). At that time, Tsukakoshi was a mere 21 years old. The company had 17 employees and sales of \10 million but a multi-million yen loss every year. Tsukakoshi stayed at the factory for two months to have a grasp of the work. However, despite his enthusiastic attitude, the employees didn't improve their attitude that easily. Tsukakoshi said that he just continued to have empathy with their suffering.

Tsukakoshi recounted, "In those days, you could not just keep saying idealistic things. We feverishly earned money. Even when we went to sell our products or to buy raw materials, we had neither name recognition nor credit. In order to build credibility, we had to keep our promises, and we carried through this much."⁸ Tsukakoshi had no knowledge of agar-agar but learned it by self-study with the help of high school reference books. In the same way, he taught himself accounting and production engineering.

"I gave the employees much trouble in the process of developing the company. Without having money, we even made machines on our own; to do that, we worked around the clock for four days while female employees cooked food for us. Much work was accomplished because everyone worked together as a team. I repeatedly asked myself what I could do for the employees and what would be the right thing to do," said Tsukakoshi.⁹ As he managed the company, he began to think seriously about where employee motivation came from.

This way, the company's mission statement was formed: "Let's build a good company — strongly yet gently."

What does Tsukakoshi mean by "a good company"? According to Ina Food's website, it is described by "not just having good management indices, but also having all the people associated with the company give compliments that it is a good company in ordinary conversations. A good company makes everyone happy, including those who work there. That is the real meaning of 'good company.'"¹⁰

⁸ "Yukun Mukun (Column: Words of Wisdom) — People — Prioritize 'Employee Happiness' without Being at the Mercy of Trends: Hiroshi Tsukakoshi, Chairman of Ina Food Industry," *Nikkei Business*, September 3, 2007.

⁹ "Ikujiro Nonaka's Essence of Success, Vol. 63, Ina Food Industry", Recruit Works Institute, October–November 2012.

¹⁰ from Ina Food Industry management philosophy on its official website

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The following words by Sontoku Ninomiya have become the basis for such ways of thinking: “Those who plan for the distant future will be rich and those who plan for the near future will be poor.” (See Exhibit 1) “Economic activity without morality is criminal; morality without economic activity is nonsense.” Tsukakoshi often quotes Ninomiya when discussing his own ideas about management.

Exhibit 1
The Words of Sontoku Ninomiya

Those who plan for the distant future will be rich and those who plan for the near future will be poor.
Those who think far ahead plant pine and cedar seedlings for 100 years into the future.
Even more so will they do what needs to be done to take care of things that are sown in spring and bear fruit in fall.
That is why they will be rich.
Those who think only of the near future do not even plant things in spring that will bear fruit in fall, thinking that as too far away.
They are led astray by profit that is directly in front of them, with eyes only for things that will provide a crop without sowing seeds, and things that can be harvested without planting seedlings.
That is why they will be poor.

— Sontoku Ninomiya

Sontoku Ninomiya was an agricultural administrator in the late Edo period, known for rebuilding many poor farming villages through thrift and diligence. In 1904, he was depicted as a person who represented four virtues of “filial piety, diligence, scholarship and self-reliance” in Japan’s first national textbook for ethics education in elementary school called “Jinjo Shogaku Shushinsho (shushin).” From around 1932, bronze statues of Sontoku (childhood name Kinjiro) reading a book while carrying firewood on his back to sell were built at elementary schools throughout Japan, and his diligence became a good example for elementary school students across the country. However, many of the statues have now been removed, and the school subject of shushin was also eliminated after Japan’s defeat in the Second World War.

Tsukakoshi says, “A company exists not for its managers or shareholders but for the happiness of its employees.”¹¹ He believes, “To continue to make employees happy, above all things, the company must be able to exist for a long time.”¹² “That is because I (Tsukakoshi) have always thought that a company, unlike living creatures, is based on a major premise and an ideal that it will last forever without end, and that the very essence of management lies in a thought about what should be done to achieve that. I feel that, in order for a company to last permanently, the company should not be in a rush to grow once it has reached a certain size.”¹³ Tsukakoshi expressed these ideas in the term “nenrinkeiei [tree-ring management],” overlapping the growth of a company with the way that trees gradually accumulate annual rings as they grow.

With respect to profits, as with sales, Tsukakoshi would not pursue numerical targets. He regards profits as “excrement from management” or “dregs.” He believes that profits are something that would be naturally produced if a company is sound and healthy.

In accordance with his idea of “a company that makes its employees happy,” Ina Food has returned the profit to employees as much as possible and has offered good wages and benefits. Salaries and bonuses of Ina Food were at the highest in the prefecture and have continued to rise year on year without exception even when revenue and profit declined.¹⁴

Tsukakoshi has said, “I even think that an unlisted company may not necessarily have to make a profit. Having zero profit after paying labor costs is nothing to be ashamed.”¹⁵ “A company’s profit is nothing more than a means to make its employees happy. A company earns profit

¹¹ “Special Topic — A Company Makes Money Because its Employees Work Hard, Steer the Way of Management toward Employees First Policy— Ina Food Industry (Manufacture and Sales of Agar Products, Ina City, Nagano Prefecture) has been a Gradual Increase in Employee Satisfaction according to its Growth,” *Nikkei Venture*, May 1, 2007.

¹² *Ibid.*

¹³ “Dialogue: Akio Toyoda (President of Toyota Motor Corporation), Hiroshi Tsukakoshi (Chairman of Ina Food Industry),” in *PHP Matsushita Konosuke Juku*, January–February 2015 edition, Vol. 21.

¹⁴ See footnote 4

¹⁵ “Isetsu Iron [Different Views, Different Arguments] — Profits Are Leftover Dregs of Company; Company Exists Only in Paying Wages — Hiroshi Tsukakoshi, Chairman of Ina Food Industry” in the December 1, 2014 issue of *Nikkei Business*

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in order to pay labor costs. Cutting labor costs in order to make a profit is putting the cart before the horse.”¹⁶

Tsukakoshi, who puts employee happiness first, thought of the workers as family. When an employee’s house caught fire, Tsukakoshi rushed to the scene before anyone else as soon as he heard from the fire department. He spearheaded preparation for meals and donations of clothing and furniture. He also gave an interest-free loan for rebuilding. However, as the president, he has refrained from behaviors showing favoritism toward particular employees and strove not to cause unnecessary concern to the employees. He said, “Even though I say I think of them as family, I do not go out drinking with particular staff members, and I avoid attending staff weddings as much as possible because it would be impossible to attend them all. In addition, our company has a rule prohibiting junior employees from making gifts to their seniors, but on the other hand, it is perfectly fine for senior staff to treat their subordinates to lunch/dinner or to give them presents. Go ahead and do it, I tell them.”¹⁷

Tsukakoshi has supported the company’s management as Chairman after serving as President of Ina Food from 1958 to 2005. His management ideas and methods have garnered wide attention of the business community throughout Japan, and many corporate managers, including Akio Toyoda, the president of Toyota Motor Corporation, seek advice from him.

Characteristics of the Product called Agar-agar — No Longer a Market-Driven Commodity—

Agar is an original product of the local industry of the Ina region. Farmers have produced agar-agar using the winter climate for 400 years. Agar-agar is made of agar solution extracted from red algae such as tengusa [Gelidium] and ogonori [Gracilaria] through freeze-drying. When Tsukakoshi was tasked with the management of Ina Food, agar was on the verge of crisis as a local industry.

¹⁶ Ibid.

¹⁷ “Even Toyota Was Amazed! Secret behind Ina Food Industry’s 48th Consecutive Annual Revenue and Profit Increase,” *PRESIDENT*, December 1, 2008.

One of the reasons that the agar industry fell into difficulties was the popularity of Western sweets after the Second World War. Agar-agar is used in a lot of Japanese confectionery but is not used in Western sweets. Demand for agar fell as consumer needs shifted from Japanese confectionery to Western sweets and snacks.

Another reason for the decline in demand for agar was the severity of fluctuations in its price. Because agar was freeze-dried with use of the cold winter air, a warm winter would spoil agar and cause a decrease in the supply of agar; therefore, the price of agar soared when the winter was warm. On top of that, wholesalers sometimes deliberately limited the supply of agar in order to drive the price up. Agar-agar, thus, was considered to be a “market-driven commodity,” and was a source of concern for confectionery manufacturers.

In addition, a decrease in the amount of domestically harvested tengusa, the raw material for agar-agar, led to the unstable supply of agar. Tengusa was collected by female divers who made a deep-sea dive for algae, but the amount of harvest was on the decline with the aging of those female divers.

In order to keep the confectionery industry from abandoning agar, its nature of a market-driven commodity had to be changed. Ina Food, therefore, mechanized the agar manufacturing process. They were successful in developing technology, making it possible to carry out the freezing and compression/dehydration process in the factory by powdering agar-agar (traditionally, agar was in the form of a stick). With this, Ina Food was able to increase the yield of raw materials and produce agar-agar regardless of the season. The company also promoted the construction of a raw material warehouse and factory automation to provide a stable supply of agar-agar all year around.

Furthermore, the company developed suppliers in some 30 countries worldwide in order to secure a steady supply of raw materials. Ina Food said that it has valued the position of its partner companies more than its own position when partnering with local companies; the company did not interfere with its partners except for giving them technical guidance. Ina Food never asks its suppliers for a discount, saying that “a profit that is gained by the sacrifice of others is not a profit.” Ina Food has built trusting relationships with its partners through such an attitude and currently has partner companies with whom it has been doing business for long periods of time in four

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countries. Currently, Tengusa gathered from around the world is being stored in the basement of the company headquarters. There are differences in the degree of hardening of tengusa depending on where it comes from. Without knowing the characteristics of tengusa from each production area and being creative with production accordingly, it is impossible to produce agar-agar of stable quality, but Ina Food has the accumulated know-how on the production of stable quality.

Since Ina Food was able to secure a steady supply of raw ingredients, the company worked on the stabilization of the price of agar-agar by releasing large amounts of stored agar when the agar market spiked. Through these efforts, agar-agar has ceased to be a market-driven commodity. A newspaper advertisement on August 16, 1977 stated, "Agar is no longer a market-driven commodity"¹⁸ (see Exhibit 2).

Exhibit 2

Advertisement in the Japan Food Journal

"Agar is no longer a market-driven commodity.."

Agar has a long history as a naturally gelling agent extracted from seaweed. Because it has been manufactured by farmers as their side business only during a short period of time in the winter, agar production retains the nature of an extremely old industry, even today when year-round manufacturing of powdered agar-agar has become predominant.

The most fundamental position of food ingredient manufacturers ought to be stabilized supply and price. However, it can be said that such efforts were missing in the past.

In order to maintain its pride and fulfill its responsibilities as the industry's top manufacturer, Ina Food Industry is making positive efforts toward a large stock of raw material seaweed, the development of raw material producers overseas, cost-cutting, quality improvement and application research.

Please, make use of agar-agar, which has numerous outstanding characteristics, to develop new foods and other products.

Source: *The Japan Food Journal*, August 16, 1977, JAPAN FOOD JOURNAL CO., LTD.

¹⁸ See footnote 2.

Product Development and R&D

Ina Food has allocated 10% of profits and has assigned approximately 10% of its employees to research and development (R&D). As a result of its R&D efforts, agar-agar began to be used in products that did not use it as an ingredient before; for example, sauce for mitarashidango [dumplings on skewers with sweetened soy sauce] that previously used potato starch for sauce, jelly drinks and cosmetic foundations that utilized the water-retention properties of agar.¹⁹

In recent years, new agar products, including agar filters; “Agarose,” a special agar used in DNA testing; “Inagel,” a gelling agent for industrial-use; and agar sheets known as “edible films,” have come out. One of these new products “edible films” became a hit; consequently, the company built a new factory in Fujisawa, Nagano Prefecture at a cost of two billion yen. An edible film melts when heated and has no taste or odor, thus it does not have an effect on flavor, scent or calories. It also attracted attention from an environmental point of view due to the fact that it produces no waste and has been used in chilled cup noodles as a separator for noodles and soup, as well as being used as a wrapper of small ingredients at the time of cooking.²⁰

It is said that Ina Food started R&D activities without specific targets and many of its new technologies were brought out through hit-and-miss approaches. A plaque saying “SERENDIPITY,” which refers to the ability to take advantage of accidental discoveries, is displayed on the wall of the research building at the headquarters of Ina Food.²¹

Katsuhiko Shiba, Director of the R&D Department at Ina Food, said, “Let’s say, agar’s properties are 10 to 20. You would find a new use for agar by trying to expand its properties up to 100. What is important in doing so is how to make good use of failure. If you have made agar-agar that would not solidify, it would normally be bagged and trashed, but if you look at it from a different angle, you might come up with new usage and open up broader possibilities. In fact, agar-agar is now being

¹⁹ See footnote 2.

²⁰ “Agar Special: Ina Food Industry Constructs New Building at Fujisawa Plant, Aiming to Begin Operations in November,” *The Japan Food Journal*, July 8, 2015, p.9.

²¹ See footnote 4.

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used in ways that were unthinkable in the past; for example, it is used as a substitute for oil in cosmetics. If you can make the same mistake twice, that would be a discovery, and if you can repeat the same mistake steadily, that would become a product. Many people may think that once they have failed, that will be the end of it, but at Ina Food, we show our results to our seniors or bosses, particularly when we have failed. That is our corporate culture.”²² Ina Food files as many as 20 patent applications per year, but the main developers do not receive a reward as a rule.²³ That is because the company believes these results are the fruit of everyone’s collective efforts.

Management Suited to Size

Ina Food has repeatedly rejected approaches from national supermarket chains in the past. There is a product called “Cup Jelly 80°C” in the Kantan Papa brand. As the name suggests, this is the product that you can make jelly just by mixing with hot water at 80 degree C and letting it sit. Ina Food received a proposal from a major supermarket to roll out the product nationwide when they put this product on the market in 1981. If the product had been sold across the country, company’s sales would have increased immediately. All of the executives agreed to its nationwide roll-out. However, Tsukakoshi turned the offer down²⁴ because he would have to rapidly expand production facilities and the work force when it comes to supplying the product to a national chain, and if that was the case, he would violate the principle of “management suited to size.”

However, Ina Food has broken the “management suited to size” principle just once in the past. In 2005, when a TV program sparked an agar boom in Japan, Ina Food decided to increase the production of agar-agar. Tsukakoshi was actually against increased production but decided to leave it up to the employees, since they said, “We really want to do it.

²² Ibid.

²³ Ibid.

²⁴ “A Company that Openly Pursues Employee Happiness, Seniority System, Lifelong Employment, Low Growth — Ina Food Industry Asks ‘What Is a Company?’,” *Nikkei Business Online*, April 13, 2009

Let us try!”²⁵ Without making capital investment or adding staff, they decided to work around the clock in three shifts with the existing facilities and staff. However, the workers showed signs of cumulative fatigue conspicuously in three months; therefore, Tsukakoshi put a stop to the three-shift system (the three-shift system was originally prohibited in the company because it was not good for employees’ health). The boom began to recede just around that time, so they didn’t have to carry a large volume of inventory. The damage was also limited because they did not make new capital investment. Nevertheless, as a result of this, the company’s revenue and profit went down for three consecutive terms from 2006 to 2009. Ever since, Ina Food has banned cashing in on that kind of boom. Tsukakoshi commented, “The after effects were not so bad since we did not make excessive capital investment. If we did make such an investment, the company would have carried out a restructuring and would have been endangered, which would have plunged the employees into unhappiness. Through this experience, I reconfirmed the fact that a company should not expand its scale to rapidly grow in a real sense.”²⁶

Incidentally, Ina Food does very little business with supermarkets, not only with national chains, for various reasons besides the size of the company. According to Tsukakoshi, he feels that supermarkets lack a mindset toward nurturing products; they believe that simply having hot-selling products that are advertised on TV and other media outlets on display will be good enough. Actually, certain convenience store chains actually said, “If you want us to carry your product, give it to us for one yen in the beginning,” or oftentimes, “at half price.”²⁷ This goes against Ina Food’s pricing policy.

Ina Food never gives a discount and asks its partners for a discount in reality. Tsukakoshi said as follows, “A regular price is the price of a product asked by its manufacturer so that the company can carry out normal business activities, which should be primarily complied with. Setting a high price in advance and then discounting a certain percentage

²⁵ “Chōrō no Chie (The Wisdom of Elders), Part 3 — Hiroshi Tsukakoshi — Food Is Culture of Each Country, Should We Export It to Make Money?” *Shukan Toyo Keizai*, May 14, 2011.

²⁶ See footnote 10.

²⁷ See footnote 20.

at the time of sales is a deception. That is why we do not give discounts; instead, we set a fair price that allows us to carry out normal operations. Since we do not mass produce, and our production volume is low, we can just sell them on our own.”²⁸

Moreover, Ina Food has a policy of not exporting its products overseas. According to Tsukakoshi, “Ina Food does not export to overseas countries because it would encroach on the territory of people in the country. The food industry should be run by people in the country. You should not do anything that would encroach on a country’s culture. It does not make sense to go to another country to make money. We have four partner companies overseas, and I am constantly telling them to develop demands, and we keep teaching them our know-how that they need in order to do so. If the market is limited to Japan, of course, the growth rate of the company will be bad. But the food market in Japan alone is worth ¥70 trillion. Our sales are only ¥17 billion of that. Agar is good for your health, so if we continue to make a case for that, everyone will become happy. We have more than enough room for growth to cover the ceiling, you know.”²⁹

Talent Operations System

More than 400 people work for Ina Food, including factories, sales and head office staff, R&D personnel, as well as chefs at the restaurant, managers and clerks at direct-sale outlets. Basically, most of them are regular employees (433 as of 2015) hired under the lifetime/life-long employment system.³⁰ The company hires approximately 20 to 30 new graduates each year.

The retirement age at Ina Food is 60, but the company provides opportunities for post-retirement work at a farm in Ina City, called “PaPana Farm,” which was established to leverage unused farmland in

²⁸ See footnote 20.

²⁹ Ibid.

³⁰ Life-long employment is the system that was adopted in postwar Japan primarily for white-collar workers at major companies. As long as the company continues to exist, and the employee does not cause a scandal or other major problems, employment is essentially guaranteed until the company’s specified retirement age (usually 60 to 65, with the exception of directors); it is not a contract for lifelong employment.

the neighboring area. This farm organically grows various crops using “Agarlite,” a soil improver made from the agar dregs produced during the process of manufacturing products of Ina Food. These crops are being used at the restaurant run by Ina Food. Although the business itself is in the red, employees can work there as long as they wish.

Furthermore, the company adopted the seniority system,³¹ and advertises that it has been maintaining the principle of the system.

The reason why Ina Food has maintained the seniority system is that; “It represents the form of a natural management stance that grows business increasingly successful. In addition, at Ina Food, we have an expression ‘the Ina Food family,’ which means human relations within the company are friends and family. Therefore, we do not ask our employees to retire due to company circumstances. Vertical relationships are not determined purely by ability.” “People build up their experience with age. We think that whether or not a person can demonstrate judgment or wisdom at a critical moment is not determined by performance on written tests. I think that it often depends on experience.” “In addition, young employees get married and raise children. They have to pay for their kids’ education and start paying home mortgages. Looking at the seniority system from a long-term point of view, in terms of leading a happy life like other people and having a family to nurture the next generation, this system, which increases wages along with age, is believed to be essential for the enduring existence of a sound Japan.” (Ina Food public relations materials)

³¹ Japan’s seniority system is a system in which salary and rank increase according to an employee’s years of service at the company; like life-long employment, it was widely adopted mainly at large companies in postwar Japan. However, the starting salary differs depending on whether the employee graduated from high school, community or technical college, university or graduate school. In many cases, there are differences in the level of annual salary increases and in the career track available to high school and university graduates. In general, salaries are kept low during the first ten years of employment, but begin rising steadily when employees are in their mid-30s, when they are married and have children. Almost all employees advance to management positions (although they do not necessarily have staff under them). However, there is competition for the limited number of upper management posts at the general manager level. The fact that base salary is determined by differences in length of employment in addition to differences in position is a distinctive feature of this system.

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By the way, a growing number of companies in Japan have been re-evaluating their seniority system since 2000 due to reasons that companies are no longer able to support the burden of labor costs in step with the aging population and the seniority system becomes an obstacle when hiring mid-career executive employees or promoting capable young employees. There are concerns that maintaining the seniority system is likely to diminish the motivation of capable young and middle-aged employees. However, Tsukakoshi made the following comments on this trend:

“Some people may think that the seniority system lowers employees’ motivation. But I cannot agree with the merit-based or performance-based pay system that dangles salary or positions in front of employees, like dangling a carrot before a horse’s nose to make it run. I do not exactly go easy on employees. I want them to have self-discipline and to constantly challenge high goals. Even under the seniority system, it is possible to motivate them to do such things. If employees gradually become happier by being attached to the company by saying, “I have more opportunities to feel happy this year compared to last year. I will probably be even happier next year,” they will want to do their best. When you raise salary little by little according to the number of years a person has been with the company in order to increase the happiness of employees, you also raise employee motivation. Employees feel happiness not only when their salary increases. Gradually improving the workplace environment, such as building gardens around the company, is also linked to an increase in their happiness. You can bring out employees’ desire to work without goading by the merit system or performance-based salary. The seniority system is perhaps an old yet most-advanced personnel system.”³²

Tsukakoshi also cited increased teamwork and harmony as the effect of the seniority system: “I believe that a company can demonstrate its greatest capacity precisely when the entire company works as one, but, with the merit system or performance-based pay systems, it cannot maintain harmony and will have difficulties in bringing the whole organization together for doing something. In the first place, an outstanding result is not produced by an individual or a team alone; it is rather based

³² “Isetsu Iron [Different Opinions, Different Views] — The Seniority System at the Forefront of the Era Increases Motivation by Respecting Senior Employees — Hiroshi Tsukakoshi, Chairman of Ina Food Industry,” *Nikkei Business*, March 23, 2015

on the company's credibility and brand name built up over many years by senior and former employees and the backup of the surrounding staff. The person who has nurtured talented human resources is also those surrounding the talented personnel, so I believe it is a mistake to have a system that rewards only the individual or the team involved when long years of accumulated efforts finally have come to fruition. That is why we strictly adhere to this old-fashioned seniority personnel system here at Ina Food. By paying a higher salary to employees with more years of service, we have created a workplace where employees can work with an easy mind."³³

In fact, the spirit of "Ina Food family" has been naturally cultivated while helping one another in Ina Food. "When one person is away from work, everyone fills in the gaps for him or her. This results in a relationship that a person who is going to be away can ask for help easily, and those who stay behind send the person off cheerfully, which enhances the awareness of employees that they are part of the Ina Food family. At our company, everyone quickly gives a hand in busy places. It means that even researchers or executives will naturally go to the restaurant to help out during busy times."³⁴

A Company with Morals

Ina Food's employees start each morning with cleaning the gardens on the premises. According to the company, "Employees arrive voluntarily before the start of work hours and spread out here and there, one with a bamboo broom, one with a rake. There is no particular roster and assigned area. Each person decides for him or herself and cleans where they think is necessary almost every day."³⁵

Employees arrive at the company roughly 30 minutes before the start of work to do the cleaning. A few volunteers come even on holidays to just clean up. They randomly clean wherever they want without any rule about who cleans where.³⁶

³³ Ibid.

³⁴ "Chōrō no Chie [Wisdom of Elders] Part 4 — Hiroshi Tsukakoshi — 'The 100-Year Calendar' and the Imperial Rescript on Education, Teaching Employees How to Live," *Shukan Toyo Keizai*, May 21, 2011

³⁵ See footnote 5.

³⁶ "Hidehiro Tsukakoshi in Ina Food Industry," *TKC The Strategic Manager*, April 1, 2015

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Employees at Ina Food say that they have trouble in answering when asked why they do this voluntary cleaning because they think that this is their daily routine. In light of the company slogan “Let’s build a good company,” they seem to feel that cleaning the company grounds is something they do as a matter of fact like cleaning their own home.

The employees even clean restrooms in the company by themselves. Tsukakoshi said in one of his books, “There has been no trace of a single drop of urine fallen on restroom floors in the headquarters of Ina Food for 13 years since it was built. Of course, in order to keep the restrooms clean without a splash of urine, it is not enough to work only on the psychological aspect by telling people to ‘keep it clean.’ The technical aspect is also necessary. ... That is to say, if you keep toilet bowls sparkling clean, you can keep people from spilling even a drop on them. Ina Food employees clean the toilet bowls with their bare hands every day. That is why they are extremely clean. Even if your pants touch the bowl, it is fine. ... If you hire a cleaning agency to entrust the restroom cleaning, employees would not think of immediately wiping it up even if a visitor splashed a drop.”³⁷ “In fact, when a restroom gets dirty after visitors, the first employee who has noticed it cleans the restroom,” he said.

There are many similar examples. In case of rental umbrellas for moving around the garden on rainy days, if the handles are not neatly lined up, employees who have noticed this straighten them out so that they all face the same direction. Even if the company does not make a big fuss about “conserving energy,” employees take the stairs instead of using elevators. “Kanten Papa Garden” has neither security guards nor fences. The company’s cleaning equipment and tools are available for private use, but there is no need to check with anyone when borrowing or returning them.³⁸ In addition, all cars in the company parking lot are parked facing backwards so that exhaust gas from cars do not damage the flowers around the parking lot. Likewise, each employee acts independently to build a good company. Tsukakoshi said, “If you manage your company based on the theory that human nature is fundamentally good, costs will be lower.”³⁹

³⁷ Tsukakoshi, Hiroshi, “‘Annual Growth Ring Management’ without Restructuring,” *Kobunsha*, 2009.

³⁸ See footnote 4.

³⁹ *Ibid.*

Ina Food employees keep these morals in mind not only within the company but also in their lives in the local community. For example, in order to avoid traffic congestion on roads near the company during commuting hours, employees avoid making right turns to come into the company property. According to the company, “Ina Food has a two-lane street in front of the company, so when you are waiting to make a right, there will be a long line of cars waiting for your turn behind you, and this can cause a traffic jam. Employees, therefore, pass the company once and make a detour for a left-hand turn into the entrance.” Furthermore, according to the company, employees try to park as far as possible from the store entrance so as to leave the closer parking spaces for pregnant women or the elderly when going to a supermarket for personal shopping.

These morals have been cultivated through daily work but also have been conveyed through training opportunities.

Training workshops for new employees start from teaching about how to live and think as human beings before briefing company systems and business skills. On the first day of a workshop, without fail, new employees are brought in front of the “100-year calendar,” which was a calendar where all the dates up to the next 100 years were written. New employees are made to stand in front of the calendar to mark the date of their own deaths.⁴⁰ The purpose is to make them think about the meaning of the amount of time they have left in their lives. “All of our employees’ dates of death can be found on this one piece of calendar. Life is finite, so you would be disadvantaged if you don’t try everything you could do while alive. If you really want to become happy, do something that is helpful to people to make them happy. That is what we teach our employees.” (Tsukakoshi)

Tsukakoshi said that they also use the “Kyoiku Chokugo [Imperial Rescript on Education]” in training. The Imperial Rescript on Education is a document promulgated in 1890 by the Meiji government, stating the policy on the education of children. The document comprises 12 virtues and is said to reflect Confucian morality. The reason why the Rescript is used in training at Ina Food is that: “These are the virtues that are expected for human beings as a matter of course and the backbone of the Japanese people. Be good to your parents; get along with your siblings;

⁴⁰ See footnote 19.

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friends should believe in each other; develop your characters and contribute to society and so on. Some people in postwar democratic education deny these, but there are good things in them.” (Tsukakoshi)

Kanten Papa Garden and Contribution to the Local Community

Ina Food’s head office is located at the foot of Mt. Komagatake and is surrounded by Mother Nature with a lot size of approximately 30,000 tsubo [nearly 100,000 square meters], which is an area approximately twice the size of Tokyo Dome (a baseball stadium and concert hall in Tokyo). The whole property, known as “Kanten Papa Garden,” has a range of facilities (see Exhibit 3). The head office building is the one with a lodge-style structure among them. In addition to the head office, facilities including a factory, an imported goods shop, three restaurants, a coffee shop, art museum, and health pavilion were built as annexes on the property. Kanten Papa Garden is open to the public free of charge, receiving 300,000 visitors per year. Many people come to draw spring water from a well dug on the premises.

Exhibit 3
Guide Map of Kanten Papa Garden



Source: Company’s website

The company was created to resemble a park in order to make the employees happy, based on the idea that “if you make the workplace a pleasant environment, the employees are sure to feel happy.” In addition, a “good company” described by Ina Food is a company considered to be good by the local people as well; therefore, Kanten Papa Garden was created as a contribution to the local community.

An event known as “Kanten Papa Festival” takes place in June each year. It is a lively occasion with numerous food stalls in the garden and dance and music performances in the square. The venue is crowded with full of families. All Ina Food employees are involved in planning, running the festival and welcoming guests. In addition to the locals, people from far away take bus tours to visit this festival; thereby, Kanten Papa Festival has become one of the two major festivals in Ina City along with “Ina Festival.”

Employee Welfare and Benefits

Company Trip

Company trips have been held every year since 1973. Destinations alternate between overseas and domestic sites, and overseas company trips have been held every other year since 1969. The company paid ¥90,000 per person for an overseas trip and ¥50,000 per person for a domestic trip, while employees saved ¥2,000 per month. Employees are divided into 10 to 20 groups, and each group travels sometime between September and November. When choosing destinations for travel, requests are collected from 500 employees. After candidate sites are narrowed down to 12 or 13 places, employees are divided into a dozen groups or so to decide and collect preferred destinations and travel period again. In this way, each group would naturally contain a mix of employees from various departments. Employees are basically free to use their time as they wish on the trip, but there is always one party that everyone should attend during their two-night three-day stay. Seating at the party is assigned by lottery. As a result, the chairman might be seated at the foot of the table, and a new employee could be next to a board member.⁴¹

⁴¹ “Kenjin no Keisho (Wise Men’s Warnings) — ‘Enjoyable Company Trips Benefit Japan’s Economy: If They Are Not Fun, You Are Doing Something Wrong,’ Hiroshi Tsukakoshi, Chairman of Ina Food Industry”, *Nikkei Business*, July 13, 2015

Garage Allowance and Studless Tire Allowance

Employees, who built garages at their homes, are given an allowance of 70,000 yens. Tsukakoshi said, "The snow piles up around here in the winter. If you have a garage, it takes less time to warm up the car, and it is also better for the environment." The company also offers an allowance for studless tires. Employees who submit a receipt after purchasing studless tires receive 20,000 yens. The allowance could be applied every two years. For safety considerations, employees are encouraged not to use the same tires for more than three years.⁴²

Family Allowance

The company gives employees a family allowance until their children graduate from junior high school. Tsukakoshi's thought was that "it cost money one way or another until children grow up." In 2004, the company increased the retirement allowance by 25% so that employees can live more peacefully in post-retirement years.

Snack Break

There are 15-minute breaks at 10:00 a.m. and 3:00 p.m., during which hot tea and sweet snacks are served. Although it is only a small amount of money, employees receive a "snack subsidy" of ¥500 per month. The factory assembly line stops during breaks, and all employees go to the cafeteria at the same time to have their tea. Despite the inefficiency of stopping the line, the company gives priority to these all-hands breaks.

Illness Allowance

All employees take out cancer insurance at the company's expense. If an employee's family member suffers from an intractable illness or has a serious handicap, the company provides a full range of support.

Company Meals

Company meals, cooked at the Ina Food restaurants using ingredients grown on the company farm, are provided.

⁴² See footnote 6.

Company Savings/Company Loan System

Savings and loans are available at far more favorable interest rates than those at financial institutions.

Support System for Family “Refresh” Trips

Special vacation leave and a subsidy are given to employees on their 10th, 20th and 30th year of employment to help pay for their family trips.

Employee Dormitory and Rented Company Housing (for sales staff)

Company housing is provided in Ina City where the head office and factory are located. The company condominium with reinforced concrete has 46 units for singles and 13 units for married couples. When employees are transferred to a branch or business office, the company rents local housing for them.

Looking to the Future

Almost 60 years have passed since Hiroshi Tsukakoshi was in charge of the management of Ina Food. How would this “good company” that was established under the leadership of Tsukakoshi acquire its annual growth ring in the years to come? The senior executive director, Hidehiro Tsukakoshi, is considered to be the successor to Hiroshi Tsukakoshi. What kind of course would Ina Food’s management team take to lead the company in the future?

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HIROAKI KANEKO, CRISTIAN VLAD, LUIZA GATAN,
TORU TAKAHASHI, SEIKO ADACHI

Exhibit 4
Balance Sheet – Assets

	12/2014	Component ratio	Ratio to previous period	12/2013	Component ratio	Ratio to previous period	12/2012	Component ratio	Ratio to previous period	12/2011	Component ratio	Ratio to previous period	12/2010	Component ratio	Ratio to previous period
Assets															
Current assets	17,967,837	58.7	9.5	15,863,380	57.5	4.7	15,972,007	58.1	3.9	15,753,331	60.4	7.4	14,932,415	59.2	10.4
Debtors	11,452,549	47.7	5.8	11,625,064	41.1	-4.8	11,896,571	49.2	5.7	11,923,991	44.2	11.7	10,070,884	41.6	28.3
Other assets	8,388,130	28.6	14.5	7,880,424	26.4	3.3	7,780,431	31.9	6.5	8,247,992	32.4	18.0	6,986,966	28.3	38.9
Cash and deposits	1,079,280	3.7	2.2	1,694,474	3.8	38.3	3,772,688	1.4	-16.0	4,447,354	1.7	-3.9	462,215	1.8	-4.6
Notes receivable - trade	2,984,404	10.1	1.0	2,971,169	10.6	-0.7	2,272,432	9.9	-7.1	2,565,954	10.0	-2.4	2,609,319	10.3	12.3
Accounts receivable - trade	68,244	0.2	2.0	68,001	0.2	38.9	15,318	0.1	11.2	13,769	0.1	11.9	12,293	0.1	13.4
Securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Inventories	4,584,427	15.8	13.2	4,629,092	14.7	3.3	3,374,166	12.3	-0.8	3,400,787	13.4	-6.1	5,610,075	15.0	-20.2
Merchandise	34,823	0.1	-2.4	31,695	0.1	0.7	31,687	0.1	-2.7	35,632	0.1	-1.2	36,881	0.1	-
Finished goods	4,656,642	1.6	-14.5	3,879,942	1.9	3.1	3,173,020	1.9	21.6	4,256,992	1.7	8.3	3,933,007	1.6	10.9
Work-in-process	870,342	3.0	26.2	689,721	2.5	22.1	5,843,832	21	-12.3	6,440,777	2.5	1.8	6,333,866	2.6	10.9
Raw materials	3,218,834	11.1	15.6	2,839,626	10.1	23.9	2,245,828	8.2	-1.6	2,231,027	9.0	-0.2	2,539,402	10.5	-28.6
Stocks	15,784	0.1	-3.0	16,724	0.1	-5.5	10,466	0.0	-39.2	12,997	0.1	-31.2	18,838	0.1	-263.6
Other current assets	369,130	1.3	-27.5	329,247	1.8	-30.2	729,684	2.7	-2.7	749,411	2.9	14.0	657,320	2.7	-7.5
Advance payments - trade	277,426	0.9	40.7	98,680	0.7	-	-	-	-	-	-	-	-	-	-
Prepaid expenses	3,478	0.0	48.1	2,463	0.0	60.4	1,316	0.0	-37.5	2,426	0.0	-	-	-	-
Accounts receivable - other	1,834	0.0	-99.2	35,072	0.9	61.0	603,112	2.2	-2.7	601,150	2.4	19.0	520,940	2.1	9.4
Surrender payments	14,527	0.0	2.8	14,136	0.1	-29.3	19,728	0.1	42.5	3,841	-	-	-	-	-
Deferred taxes	16,410	0.3	20.3	6,489	0.2	-39.1	104,941	0.4	-7.4	112,538	0.4	-9.0	133,735	0.5	-0.1
Cash deposits in trust and deposits held	482	0.0	4.1	484	0.0	-1.6	441	0.0	-2.9	484	0.0	-	-	-	-
Other current assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Allowance for doubtful accounts	-	0.1	-	28,831	0.1	-	27,025	0.1	-	27,100	0.1	-	17,884	0.1	7.0
Non-current assets	11,221,114	49.3	0.3	11,764,433	42.5	1.6	11,584,161	49.9	14.6	10,609,287	39.6	2.0	9,875,388	40.3	2.9
Patents, other int. and equipment	3,694,430	16.3	-3.3	3,265,116	9.0	0.6	3,388,173	14.8	0.3	3,791,326	14.2	2.1	7,710,891	32.1	2.1
Equity	4,294,998	19.3	4.1	4,347,710	17.2	14.1	4,138,227	18.1	-0.3	4,317,425	16.4	2.9	4,084,642	16.7	-0.8
At-risk/loss	710,452	2.4	-4.5	93,673	2.7	33.1	64,985	2.3	-3.4	70,287	2.8	-5.2	840,079	3.1	-10.9
Stocks	583,426	1.2	6.9	182,398	1.2	-5.3	338,139	1.2	5.4	338,249	1.3	-5.0	353,796	1.3	-4.9
Machinery and equipment	95,075	3.3	-1.4	1,309,933	4.1	199.3	472,995	1.7	3.6	4,800,73	1.8	-1.4	462,416	1.9	-8.5
Vehicles	57,129	0.1	3.1	31,177	0.1	-15.3	58,770	0.1	-27.1	30,429	0.2	-22.2	64,741	0.3	37.2
Tools, fixtures and fixtures	224,600	0.8	7.2	209,952	0.8	-3.9	222,944	0.8	10.3	201,150	0.8	16.7	174,847	0.7	6.0
Lease	1,583,241	5.4	0.6	1,490,049	5.6	-1.8	1,577,088	5.7	-3.1	1,677,211	6.4	3.9	1,565,986	6.5	17.0
Contract in progress	4,836	0.0	-96.6	7,658	0.1	65.1	1,488,616	5.4	*	70,889	0.0	-7.6	45,400	0.2	-
Other property, plant and equipment	516,390	1.8	-6.1	549,977	2.0	49.7	390,377	1.4	2.6	300,781	1.5	20.0	317,389	1.3	13.5
Intangible assets	276	0.0	-17.4	334	0.0	-15.0	993	0.0	-42.9	451	0.0	16.0	200	0.0	-35.7
Trust funds and other assets	2,704,427	9.1	14.6	2,393,387	8.5	-5.5	2,247,546	8.1	14.9	2,137,538	8.4	2.0	2,095,378	8.7	6.0
Investment securities	471,125	1.6	0.0	471,125	1.7	0.5	471,125	1.7	0.5	468,619	1.8	0.0	468,667	1.9	0.1
Investments in capital	4,831.5	0.2	-3.0	46,190	0.2	32.1	34,215	0.1	-1.7	34,815	0.1	-1.7	35,415	0.1	-4.3
Shares and bonds, etc. of subsidiaries and associates	13,334	0.0	29.7	10,300	0.0	10.0	10,300	0.0	0.0	10,300	0.0	0.0	10,300	0.0	-0.0
Long-term loan receivable	281,806	1.0	141.5	116,700	0.4	-13.2	134,488	0.5	-11.1	11,403	0.6	-11.8	171,741	0.7	1.0
Long-term prepaid expenses	10,473	0.0	-11.3	11,942	0.0	38.3	7,471	0.0	-9.1	77,021	0.3	51.8	45,515	0.0	-22.1
Long-term deposits	837,186	2.9	1.3	846,210	3.1	2.2	827,971	3.0	5.1	703,001	3.1	-5.0	838,847	3.4	9.0
Leases and other funds	20,284	0.1	6.8	20,872	0.1	-2.6	22,967	0.1	-6.2	25,259	0.1	-6.3	25,099	0.1	-10.1
Accounts for doubtful accounts	946,638	3.3	14.5	832,113	3.0	-14.2	726,132	2.6	14.3	665,280	2.5	14.8	583,545	2.3	11.4
Allowances for doubtful accounts	-2,238	0.0	-	-	-	-	-1,075	0.0	-	-1,133	0.0	-	-	-	-
Deferred assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	29,114,971	100.0	5.6	27,597,813	100.0	0.3	27,566,173	100.0	8.1	25,444,668	100.0	5.2	24,800,804	100.0	7.2

Source: Teikoku Databank

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Exhibit 4 (Continued)
Balance Sheet - Liabilities and Net Assets

(Unit: ¥ thousand)

	12/2014	Ratio to previous period	Component ratio	12/2013	Ratio to previous period	Component ratio	12/2012	Ratio to previous period	Component ratio	12/2011	Ratio to previous period	Component ratio	12/2010	Ratio to previous period	Component ratio
Liabilities															
Current liabilities	3,673,997	11.8	10.9	2,894,865	11.1	10.9	3,487,839	13.0	11.1	3,079,322	12.5	11.1	3,374,728	14.0	11.0
Notes payable - trade	490,291	1.7	2.2	89,544	0.3	2.2	-	-	-	-	-	-	-	-	-
Accounts payable - trade	1,800,701	3.7	3.7	1,020,100	3.7	3.7	849,714	3.5	3.0	739,455	2.9	3.1	831,663	3.4	3.7
Accounts payable - other	84,700	0.3	0.2	44,661	0.2	0.2	60,204	0.2	0.2	80,382	0.3	0.2	83,227	0.3	1.0
Accrued expenses	431,722	1.5	1.6	431,079	1.6	1.6	457,213	1.6	0.7	434,351	1.7	1.1	443,661	1.8	2.3
Deposits received	773,537	2.7	2.7	754,031	2.7	2.7	653,807	2.3	2.1	529,655	2.0	2.4	444,683	2.0	4.5
Short-term deposits	688	0.0	0.0	666	0.0	0.0	760	0.0	0.0	1,189	0.0	0.0	-	-	0.0
Provision for bonuses	117,718	0.4	0.4	114,433	0.4	0.4	110,888	0.4	0.4	107,151	0.4	0.4	101,660	0.4	0.4
Income taxes payable	17,025	0.0	0.1	25,250	0.1	0.1	36,626	0.1	0.1	38,973	0.1	0.1	44,730	0.1	0.1
Accrued interest tax	65,981	0.2	0.0	103,815	0.4	0.0	109,267	0.4	0.4	109,493	0.4	0.4	125,998	0.5	0.3
Accrued consumption taxes	222,470	0.8	-	-	-	-	27,246	0.1	-	-	-	-	63,721	0.3	-35.6
Other current liabilities	-	-	-	-	-	-	-	-	-	-	-	-	861	0.0	-
Non-current liabilities	3,159,900	10.8	10.3	2,805,737	10.3	10.3	2,651,549	10.7	9.7	2,690,873	10.6	11.1	2,421,029	10.0	9.3
Long-term loans payable	1,127,684	3.9	2.9	807,796	2.9	2.9	1,104,398	4.0	2.4	839,440	3.5	17.8	754,820	3.1	17.8
Liabilities to banks	546,457	1.9	2.1	577,471	2.1	2.1	410,468	1.5	4.8	413,844	1.6	25.1	316,622	1.4	15.1
Provision for retirement benefits	1,484,418	5.1	2.5	1,400,470	5.3	5.3	1,434,762	5.2	3.5	1,337,384	5.5	3.8	1,314,323	5.5	4.9
Provision for share-based payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	6,833,907	21.7	13.2	5,690,602	21.1	13.2	6,139,388	23.3	13.3	5,769,195	22.7	13.2	5,395,758	24.0	13.0
Net Assets															
Equity	22,100,013	77.3	78.9	21,247,423	78.9	78.9	20,967,565	78.2	6.6	19,675,471	77.3	77.3	18,974,215	76.0	79.9
Shareholders' equity	22,100,013	77.3	78.9	21,247,423	78.9	78.9	20,967,565	78.2	6.6	19,675,471	77.3	77.3	18,974,215	76.0	79.9
Capital stock	95,800	0.3	0.4	95,800	0.4	0.4	95,800	0.4	0.4	95,800	0.4	0.4	95,800	0.4	0.0
Reserves	21,904,213	77.0	78.5	21,151,623	78.5	78.5	20,871,765	77.8	6.2	19,579,671	76.9	76.9	18,878,415	75.6	79.9
Capital surplus	33,000	0.1	0.0	33,000	0.1	0.0	33,000	0.1	0.0	33,000	0.1	0.0	33,000	0.1	0.0
Legal capital surplus	33,000	0.1	0.0	33,000	0.1	0.0	33,000	0.1	0.0	33,000	0.1	0.0	33,000	0.1	0.0
Retained earnings	22,771,113	78.9	3.5	21,627,355	78.4	3.7	20,837,652	75.7	6.6	19,546,972	76.8	7.0	18,246,352	75.3	8.0
Legal retained earnings	24,200	0.1	0.0	24,200	0.1	0.0	24,200	0.1	0.0	24,200	0.1	0.0	24,200	0.1	0.0
Other retained earnings	22,529,113	78.8	3.5	21,583,355	78.3	3.7	20,804,452	75.6	6.6	19,514,972	76.7	7.0	18,222,152	75.4	8.0
Voluntary retained earnings	31,400,000	111.1	41.1	30,620,460	110.3	41.1	30,200,000	109.7	7.2	29,800,000	108.9	7.8	29,000,000	107.7	7.1
Retained earnings through forward (of equity pool)	89,933	0.3	0.3	89,933	0.3	0.3	89,933	0.3	0.3	89,933	0.3	0.3	89,933	0.3	0.3
Treasury shares	7,428	0.0	2.9	7,184	0.0	2.9	7,184	0.0	4.7	7,184	0.0	4.7	7,184	0.0	2.1
Value-added compensation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subscription rights to shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total liabilities and net assets	29,149,971	100.0	100.0	27,938,225	100.0	100.0	27,066,953	100.0	8.1	25,444,666	97.5	100.0	24,190,004	100.0	7.2

Source: Teikoku Databank

HIROAKI KANEKO, CRISTIAN VLAD, LUIZA GATAN,
TORU TAKAHASHI, SEIKO ADACHI

Exhibit 4 (Continued)
Statement of Income

(Unit: ¥ thousand)

	12/2014	Component ratio	Ratio to previous period	12/2013	Component ratio	Ratio to previous period	12/2012	Component ratio	Ratio to previous period	12/2011	Component ratio	Ratio to previous period	12/2010	Component ratio	Ratio to previous period
Operating revenue	17,997,705	100.0	4.5	17,661,336	100.0	1.3	17,449,671	100.0	0.3	17,269,916	100.0	1.5	17,132,225	100.0	7.7
Operating expenses	16,433,816	93.4	0.4	16,495,368	93.3	8.5	13,200,514	87.1	0.9	13,071,077	86.6	1.7	14,811,664	86.5	4.9
Cost of sales	11,331,769	63.1	4.7	12,024,494	68.0	1.1	10,739,019	61.5	0.1	10,720,410	61.6	1.4	10,510,113	61.7	5.9
Gross profit	5,705,956	32.7	2.0	5,652,672	32.0	-1.3	6,711,651	38.5	0.3	6,655,505	38.4	1.7	6,530,102	38.3	10.3
Selling, general and administrative expenses	4,601,046	26.1	3.1	4,466,094	25.2	-0.1	4,446,495	25.6	2.6	4,346,666	25.0	2.4	4,244,481	24.8	2.6
Operating income	1,104,889	6.6	-2.4	1,189,867	6.7	-4.1	2,265,156	12.9	-3.4	2,321,859	13.4	0.4	2,316,621	13.5	29.9
Non-operating income	81,855	0.5	-39.1	134,496	0.8	8.8	113,380	0.7	-11.1	139,061	0.8	32.0	91,467	0.5	-42.1
Interest income	5,518	0.0	21.0	4,590	0.0	-11.6	3,159	0.0	-23.9	6,781	0.0	-24.5	3,896	0.1	-13.7
Dividend income	4,891	0.0	2.8	4,790	0.0	2.1	4,664	0.0	-2.9	4,804	0.0	14.1	4,211	0.0	-46.5
Real estate rent	3,166	0.0	13.1	6,134	0.0	-	-	-	-	-	-	-	-	-	-
Foreign exchange gains	3,612	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous income	59,666	0.3	-69.9	119,014	0.7	4.6	113,756	0.7	-10.8	127,473	0.7	62.9	13,269	0.5	-63.9
Non-operating expenses	29,284	0.2	-31.8	47,999	0.3	-46.7	39,667	0.3	29.9	62,992	0.4	14.0	54,445	0.3	-6.1
Interest and discounts expenses	13,145	0.1	-3.8	13,950	0.1	-19.7	17,372	0.1	13.9	15,250	0.1	-3.4	19,914	0.1	-30.1
Loss on sale of non-current assets	199	0.0	-44.8	395	0.0	-45.0	555	0.0	-4.1	579	0.0	-22.4	746	0.0	-8.7
Loss on valuation and amortization of securities	1,800	0.0	404.3	350	0.0	-41.7	690	0.0	-7.3	647	0.0	35.2	148	0.0	-380.1
Loss on valuation of other assets	13,840	0.1	-31.1	28,319	0.2	-34.3	61,000	0.4	51.2	41,000	0.2	34.6	26,515	0.2	6.1
Foreign exchange losses	-	-	-	-	-	-	-	-	-	1,734	0.0	-46.3	5,501	0.0	-
Miscellaneous loss	399	0.0	888.3	34	0.0	-71.5	139	0.0	-9.2	237.9	0.0	71.7	1,620	0.0	-44.1
Ordinary income	1,114,650	6.9	-5.2	1,381,377	7.2	-44.1	2,291,069	13.1	-4.7	2,404,809	13.8	2.0	2,336,643	13.8	25.0
Extraordinary income	1,627	0.0	41.0	1,154	0.0	-33.4	6,932	0.0	182.4	2,462	0.0	30.1	1,893	0.0	-86.6
Gain on transfer and disposal of non-current assets	1,627	0.0	41.0	1,154	0.0	-33.4	6,932	0.0	182.4	2,462	0.0	30.1	1,893	0.0	-86.6
Extraordinary losses	30,521	0.2	-31.7	33,976	0.2	-47.8	7,623	0.0	7.9	69,171	0.4	-12.4	78,931	0.5	23.7
Loss on retirement of non-current assets	30,521	0.2	-31.7	33,976	0.2	-47.8	7,623	0.0	7.9	69,171	0.4	-12.4	78,931	0.5	288.3
Income before income taxes	1,183,556	6.7	-4.7	1,345,551	7.0	-44.1	2,223,398	12.7	-4.9	2,338,100	13.4	2.6	2,279,605	13.3	21.3
Income taxes - current	434,849	2.5	1.3	429,244	2.4	-34.9	951,831	5.5	-3.8	980,381	5.7	0.7	992,766	5.7	18.3
Income taxes - deferred	-21,891	-0.1	-268.4	21,461	0.1	-	-32,225	-0.2	-162.0	32,462	0.2	-	-68,804	-0.4	-
Profit	714,988	4.4	-2.1	791,849	4.5	-39.3	1,390,992	7.5	10.6	1,285,256	7.5	-3.1	1,365,644	8.0	21.7

Source: Teikoku Databank

INA FOOD INDUSTRY:
A COMPANY THAT MAKES EMPLOYEES HAPPY

Exhibit 4 (Continued)
Schedules

	12/2014	Ratio to previous period	12/2013	Ratio to previous period	12/2012	Ratio to previous period	12/2011	Ratio to previous period	12/2010	Ratio to previous period
(Unit: ¥ thousand)										
[Schedule of operating revenue]										
Net sales	17,597,705	-0.5	17,685,116	1.3	17,449,671	0.3	17,398,916	1.3	17,182,660	8.0
Sales allowance and returns	-	-	-	-	-	-	-	-	-47,404	-
[Schedule of cost of sales]										
Beginning merchandise	35,691	0.7	35,417	-2.7	36,432	-1.2	36,861	-12.7	42,218	-
Beginning finished goods	533,798	3.1	517,200	21.6	425,692	8.3	391,007	8.3	362,942	-
Cost of purchased merchandise and finished goods	788,789	5.5	747,882	11.7	669,646	-9.1	737,029	1.4	726,668	8.1
Cost of products manufactured	10,967,956	-3.0	11,303,104	11.3	10,159,205	1.4	10,017,637	1.5	9,868,192	7.0
End merchandise	-34,823	-	-35,691	-	-35,437	-	-36,432	-	-36,861	-
End finished goods	-456,642	-	-533,798	-	-517,520	-	-425,692	-	-391,007	-

Source: Teikoku Databank

Exhibit 4 (Continued)
Others

	12/2014	Ratio to previous period	12/2013	Ratio to previous period	12/2012	Ratio to previous period	12/2011	Ratio to previous period	12/2010	Ratio to previous period
(Others)	459	1.2	424	426	42	409	41	393	1.6	
Number of employees (persons)										
(Statement of changes in equity)										
Capital stock at end of previous period	96,800	0.0	96,800	96,800	0.0	96,800	0.0	96,800	0.0	
Capital stock at end of current period	96,800	0.0	96,800	96,800	0.0	96,800	0.0	96,800	0.0	
Legal capital surplus at end of previous period	38,080	0.0	38,080	38,080	0.0	38,080	0.0	38,080	0.0	
Legal capital surplus at end of current period	38,080	0.0	38,080	38,080	0.0	38,080	0.0	38,080	0.0	
Capital surplus at end of previous period	38,080	0.0	38,080	38,080	0.0	38,080	0.0	38,080	0.0	
Capital surplus at end of current period	38,080	0.0	38,080	38,080	0.0	38,080	0.0	38,080	0.0	
Legal retained earnings at end of previous period	24,100	0.0	24,200	24,200	0.0	24,200	0.0	24,200	0.0	
Legal retained earnings at end of current period	24,100	0.0	24,200	24,200	0.0	24,200	0.0	24,200	0.0	
Voluntary retained earnings at end of previous period	20,620,660	6.7	19,220,660	7.2	18,020,660	8.4	16,620,660	7.1	15,521,136	6.8
Voluntary retained earnings at end of current period	839,140	-35.4	1,200,000	0.0	1,300,000	-7.1	1,400,000	27.3	1,099,133	10.6
Changes of voluntary retained earnings during current period	21,460,000	4.1	20,020,660	6.7	19,320,660	7.2	18,020,660	8.4	16,620,660	7.1
Retained earnings brought forward at end of previous period	967,615	-35.0	1,487,825	-0.5	1,495,732	-7.2	1,611,475	18.7	1,357,665	9.3
Retained earnings brought forward at end of current period	-76,141	-	-520,150	-	-1,907	-	-315,743	-145.5	234,110	119.8
Charges of retained earnings brought forward during current period	-12,000	0.0	-42,000	0.0	-42,000	0.0	-42,000	0.0	-12,000	0.0
Dividends of surplus	-	-	-	-	-	-	-	-	-	-
Transfer from voluntary retained earnings	-	-	-	-	-	-	-	-	-	-
Transfer to voluntary retained earnings	-339,140	-	-1,200,000	-	-1,200,000	-	-1,400,000	-	-1,100,000	-
Profit or loss	774,398	-2.2	791,849	-38.3	1,304,092	0.6	1,296,256	-5.1	1,365,644	21.7
Retained earnings brought forward at end of current period	890,333	7.9	967,615	-35.0	1,487,825	-0.5	1,495,732	-7.2	1,611,475	18.7
Retained earnings at end of previous period	21,612,315	3.7	20,832,685	6.6	19,540,592	7.0	18,254,335	8.0	16,902,691	7.0
Retained earnings at end of current period	762,988	-2.2	779,849	-39.6	1,292,092	0.6	1,284,256	-5.1	1,333,644	22.0
Changes of retained earnings during current period	20,375,133	3.5	21,612,315	3.7	20,832,685	3.7	19,540,592	6.6	18,254,335	8.0
Shareholders' equity at end of previous period	21,747,415	-2.2	20,967,565	6.6	19,675,472	7.0	18,391,215	7.9	17,037,571	7.0
Shareholders' equity at end of current period	762,988	-2.2	779,849	-39.6	1,292,092	0.6	1,284,256	-5.1	1,333,644	22.0
Changes of shareholder equity during current period	20,310,013	3.5	21,747,415	3.7	20,967,565	3.7	19,675,472	7.0	18,391,215	7.9
Shareholders' equity at end of current period	21,747,415	-2.2	20,967,565	6.6	19,675,472	7.0	18,391,215	7.9	17,037,571	7.0
Net assets at end of previous period	762,988	-2.2	779,849	-39.6	1,292,092	0.6	1,284,256	-5.1	1,333,644	22.0
Net assets at end of current period	20,310,013	3.5	21,747,415	3.7	20,967,565	3.7	19,675,472	7.0	18,391,215	7.9

(Unit: thousand)

Settlement type: Non-consolidated, year-end

Source: Teikoku Databank

**INA FOOD INDUSTRY:
A COMPANY THAT MAKES EMPLOYEES HAPPY**

**Exhibit 4 (Continued)
Management Index on an Accounting Period Basis
(Industry Type: 2020 Fishery Food Manufacturing)**

Settlement type: Non-consolidated, year-end

(Unit: %, month)

	The Company 12/2014	Industry average -	The Company 12/2013	Industry average 10/2013-09/2014	The Company 12/2012	Industry average 04/2012-03/2013	The Company 12/2011	Industry average 04/2011-03/2012	The Company 12/2010	Industry average 04/2010-03/2011
[Scale]										
Gross capital (¥ million)	28,114	-	27,578	2,177	27,506	2,280	25,444	2,081	24,190	2,157
Equity capital (¥ million)	22,510	-	21,747	770	20,967	811	19,675	782	18,391	762
Net sales (¥ million)	17,597	-	17,685	2,907	17,449	2,869	17,398	2,791	17,135	2,940
[Growth potential]										
Net sales growth rate (year-on-year)	-0.49	-	1.35	4.99	0.29	3.05	1.54	2.46	7.73	-1.77
Three years' average growth rate of net sales	0.42	-	0.82	3.00	0.91	0.87	4.59	-0.02	3.69	-3.54
Gross capital growth rate (year-on-year)	5.57	-	0.26	2.57	8.10	4.10	5.19	2.93	7.23	-0.22
Three years' average growth rate of gross capital	2.88	-	4.11	2.01	6.64	3.14	6.20	1.22	5.28	-0.14
Ordinary income ratio (year-on-year)	-5.22	-	-44.07	39.35	-4.73	34.28	2.04	-36.64	24.97	-28.32
Three years' average growth rate of ordinary income	-27.19	-	-27.00	12.25	-1.40	3.06	12.93	-5.91	21.45	-4.86
Equity capital growth rate (year-on-year)	3.51	-	3.72	9.74	6.57	7.30	6.98	0.95	7.95	-0.26
Three years' average growth rate of equity capital	3.61	-	5.13	5.10	6.77	-3.72	7.46	-3.71	7.46	-3.33
[Comprehensive profitability]										
Ordinary income to gross capital ratio	4.17	-	4.65	1.53	8.33	1.31	9.45	1.10	9.74	0.76
Corporate income to gross capital ratio	4.22	-	4.70	2.69	8.39	2.61	9.51	2.27	9.83	2.02
Income before income taxes to gross capital ratio	4.07	-	4.51	1.33	8.08	1.16	9.19	-0.06	9.42	-0.30
Ordinary income to equity capital ratio	5.40	-	5.89	12.22	10.93	8.65	12.22	10.14	12.81	3.19
Profit to equity capital ratio	3.44	-	3.64	5.58	6.22	4.22	6.59	3.99	7.43	-4.31
[Profitability]										
Operating expenses to net sales ratio	93.40	-	93.27	99.70	87.12	99.61	86.62	99.44	86.46	99.24
Cost of sales to net sales ratio	67.25	-	68.05	80.48	61.54	79.25	61.63	80.13	61.69	79.87
Selling, general and administrative expenses to net sales ratio	26.15	-	25.22	19.36	25.58	20.53	24.99	19.30	24.78	19.29
Non-operating income to net sales ratio	0.47	-	0.76	1.35	0.71	1.36	0.80	1.14	0.53	1.10
Non-operating expenses to net sales ratio	0.17	-	0.24	1.07	0.46	1.27	0.36	1.34	0.32	1.40
Ordinary income to net sales ratio	6.90	-	7.25	0.58	13.13	0.56	13.82	0.91	13.75	0.53
Income before income taxes to net sales ratio	6.74	-	7.03	0.49	12.74	0.45	13.44	0.16	13.30	0.06
Profit to net sales ratio	4.40	-	4.48	0.05	7.47	-0.06	7.45	-0.33	7.97	-0.47
Financial account balance to net sales ratio	-0.02	-	-0.03	-0.74	-0.05	-0.84	-0.02	-0.81	-0.04	-0.91
Interest and discount expenses to net sales ratio	0.08	-	0.08	0.86	0.10	0.96	0.09	0.93	0.12	1.00
Investment and loan efficiency	0.11	-	0.12	0.39	0.10	0.47	0.13	0.40	0.17	0.43
Average interest rate of interest-bearing debts	0.80	-	1.03	1.69	1.18	1.81	1.21	1.94	1.90	2.12
Break-even point sales ratio	90.98	-	-	89.28	-	90.51	24.34	93.47	64.11	94.80
Capital stock multiple rate	232.54	-	224.66	15.32	216.61	15.61	203.26	14.52	189.99	15.65
[Asset efficiency]										
Total assets turnover (times)	0.60	-	0.64	1.74	0.63	1.66	0.68	1.71	0.71	1.71
Total assets turnover period	19.85	-	18.71	9.68	18.92	9.98	17.55	9.75	16.94	9.46
Non-current assets turnover period	8.01	-	7.95	4.23	7.93	4.44	6.94	4.13	6.91	3.96
Turnover period of property, plant and equipment	6.20	-	6.35	3.24	6.40	3.52	5.47	3.29	5.44	3.14
Turnover period of accounts receivable - trade	2.01	-	1.98	1.31	1.88	1.30	1.76	1.33	1.83	1.27
Inventory turnover period	3.13	-	2.75	2.00	2.32	2.08	2.35	1.98	2.54	2.08
Turnover period of merchandise and finished goods	0.34	-	0.39	0.98	0.38	0.99	0.32	0.95	0.30	1.04
Turnover period of payables	1.07	-	1.10	0.84	0.65	0.80	0.50	0.84	0.58	0.78
Turnover period of notes payable - trade	0.33	-	0.40	0.12	0.00	0.13	0.00	0.13	0.00	0.13
Turnover period of accounts payable - trade	0.74	-	0.69	0.71	0.65	0.65	0.50	0.69	0.58	0.63
[Productivity] (¥ thousand)										
Net sales per capita	40,085	-	40,749	76,703	40,961	72,984	42,540	72,384	43,601	72,369
Gross profit per capita	13,127	-	13,019	11,626	15,755	11,997	16,323	11,647	16,705	11,583
Selling, general and administrative expenses per capita	10,480	-	10,278	10,786	10,477	11,043	10,632	10,687	10,802	10,732
Ordinary income per capita	2,766	-	2,992	884	5,378	963	5,879	851	5,996	482
Labor equipment ratio	20,727	-	21,575	15,017	21,846	15,350	19,391	15,002	19,773	13,819
[Liquidity]										
Current ratio	503.71	-	529.69	200.25	445.20	206.57	499.47	214.60	424.15	200.38
Quick ratio	360.57	-	378.15	124.39	331.60	122.88	365.54	127.75	298.24	122.26
Receivable to payable ratio	256.17	-	245.96	304.66	326.46	329.85	409.50	302.12	369.78	377.14
Days of cash and deposit on hand (days)	172.95	-	150.32	45.61	184.17	47.31	173.02	45.94	148.83	46.92
Ratio of ordinary income to expenses	*	-	*	*	*	0.00	*	0.00	*	0.00
Ratio of ordinary profit to loss	107.38	-	107.75	100.77	114.99	100.89	115.89	101.05	115.85	100.69
[Safety]										
Debt ratio	29.34	-	26.81	520.82	31.19	557.17	29.32	539.25	31.53	486.05
Equity capital ratio	77.31	-	78.86	20.59	76.23	22.02	77.33	21.99	76.03	23.31
Years to reach insolvency (years)	*	-	*	48.35	*	16.26	*	42.90	*	66.63
Fixed ratio	52.19	-	53.87	304.79	55.01	341.33	51.18	322.40	53.65	286.97
Ratio of fixed assets to long-term capital	45.77	-	47.65	71.67	48.22	76.21	45.02	73.00	47.41	78.47
Growth rate of property, plant and equipment	-2.82	-	0.61	3.16	17.34	6.86	2.06	3.25	2.12	0.69
Interest coverage	87.84	-	84.12	16.05	125.94	8.29	147.78	13.31	112.91	13.69
[Others]										
Provision ratio of income taxes	34.66	-	36.32	19.22	41.35	20.39	44.56	21.52	40.09	23.42
Average interest expense rate	0.80	-	1.03	1.69	1.18	1.81				

Source: Teikoku Databank