



Piller's Export Plan

Japan – May 2 2019

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1 Executive Summary

Piller's Fine Foods has over sixty years of rich history in providing processed deli meats in the European traditions of taste, texture and craftsmanship. North American retailers, foodservice operators and industrial clients have come to rely on Piller's to adapt products and packaging formats to meet the unique needs in satisfying their consumers. Now Piller's is set to adapt innovative products and packaging for the Japanese marketplace. Piller's is ready to work together on in market solutions for long term success.

Piller's Fine Foods has 3 production facilities and one distribution centre located in Southwestern Ontario. Piller's is owned by Premium Brands Holding Company (PBH) of Vancouver, Canada. PBH mission is to invest in specialty food businesses featuring: entrepreneurial culture; great tasting foods made with wholesome ingredients; and a passion for both local communities and what is best for our planet. The management of Piller's Fine Foods has extensive industry experience and knowledge coupled with the support of Premium Brands provides a solid business platform to provide leading edge innovation for an ever-changing consumer environment. Also, our association with our parent company gives us access to Capital to execute market penetration initiatives.

Today's marketplace has seen consumer shifts from traditional meal times to snacking occasions throughout the day. Piller's has responded by providing new snack options such as Turkey Bites that provide a good source of protein with a calorie count that fits very well in a daily diet. Globally households are now trending more towards couples and singles who require smaller package formats which Piller's recognizes and has been responsive to.

Allergens impact today's consumers and Piller's has responded with allergen free (free of major North American allergens) products. These products have been very well received by consumer purchases by consumer comments to our company and thru social media.

Our facilities are federally inspected by the Canadian Food Inspection Agency (CFIA), and are HACCP certified (Hazard Analysis and Critical Control Points). Piller's believes that we can support continuous sustainability initiatives that touch our industry by playing an active role in it. Piller's is committed to Safe Quality Food (SQF) and is SQF Level 2 certified and federally inspected.

Canada and Canadian pork in particular are very well respected globally for quality, natural and safe products. This is what we see as a competitive advantage in order to compete against the domestic products of the international markets we enter. We also understand the patience and persistence required in building a brand in new markets.

Piller's has developed strong International experience in servicing limited export markets but is now ready to further develop with in-market partners to Japan and others. (do we mention our Partner?) International development is a focus for Piller's in order to be a sustainable company in this global marketplace and we believe with our product knowledge, experience in export processing, adaptive mind set to listen to the respective market with the patience and persistence to be successful in opening up the Japanese market.



2 Piller's Fine Foods Overview

Piller's Fine Foods, a division of Premium Brands Holdings Corporation, is one of the largest processed meat deli companies in Canada, and has been in business since 1957. We use traditional meat processing methods and authentic family recipes that have their roots in the European heritage of the company's founding master butchers, and are known for a variety of quality products such as black forest ham, air-dried salamis, and meat snacks. We understand the importance of crafting products that provide unique experiences for consumers. Our traditional natural wood smoking and dry aging processes provide flavour experiences that cannot be replicated by other companies, and products like our famous shaped salamis are praised by customers and consumers alike. Our products use Verified Canadian Pork that affluent Japanese consumers have come to prefer and trust.

All production facilities, distribution centre and offices are located in Ontario, Canada. Our facilities are federally inspected by the Canadian Food Inspection Agency (CFIA), are HACCP certified (Hazard Analysis and Critical Control Points) and SQF Level II Certified. We employ approximately 500 people across our three production facilities, one distribution and corporate office, with sales in excess of \$200 Million.

2.1 Company Profile

2.1.1 Piller's at a Glance



- Head Office Located in Waterloo, ON (1 hour from Toronto)
- 3 x 100,000 sq.ft+ manufacturing (all in 100km from HO)
- Distribution Center located in Waterloo, ON
- 500+ employees
- All facilities are CFIA, HACCP and SQF Level 2 certified
- We craft a variety of deli processed meats in traditional European methods, using authentic European recipes.
- Sales and distribution across North America



2.1.2 Vision and Mission Statement

VISION

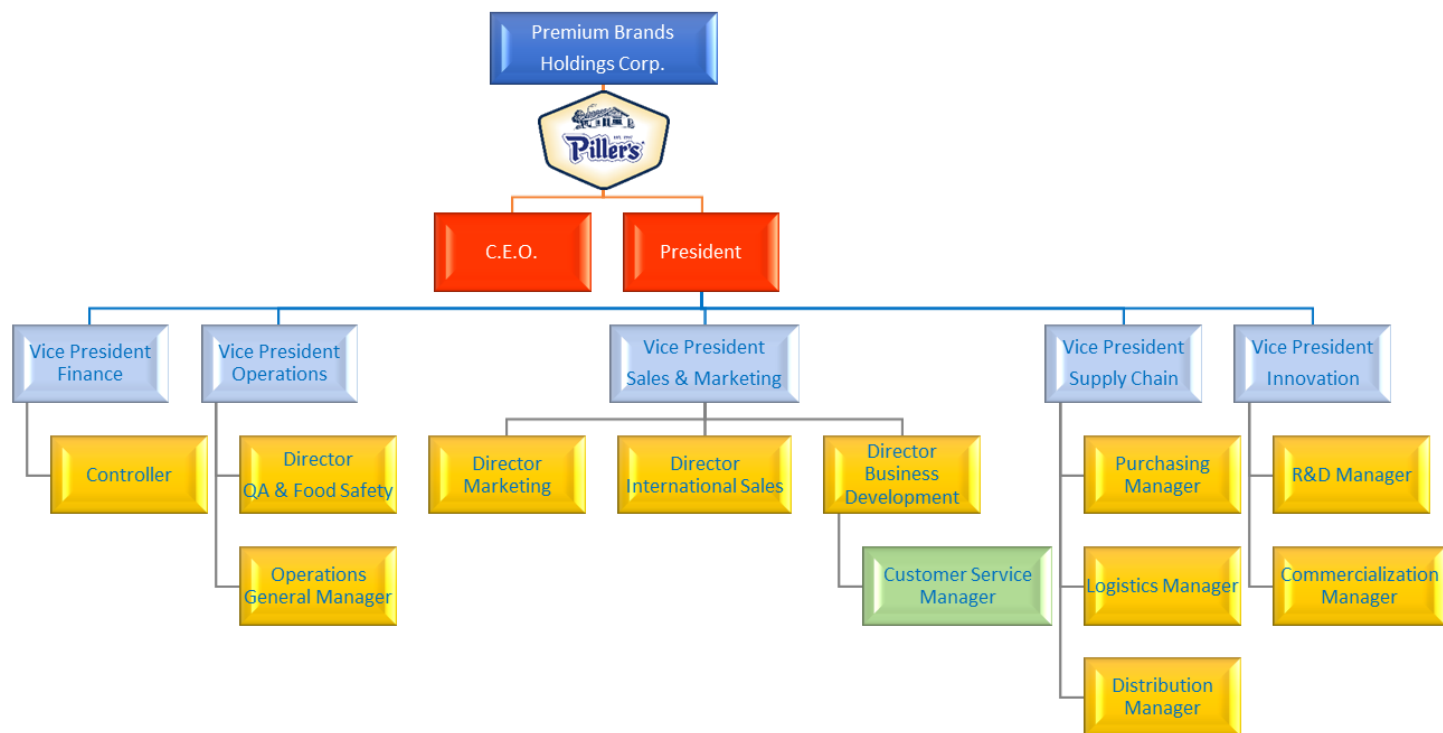
Be a leading provider of authentic specialty foods

MISSION

Craft high quality, innovative foods for families to enjoy

2.1.3 Organizational Structure

Piller's Fine Foods is a privately held corporation located just outside Toronto, in Waterloo, Ontario, Canada. For over sixty years we have been selling a full line of premium deli meats to the Retail and Foodservice throughout Canada and the United States. We have approximately 500 employees in our office and manufacturing facilities.



2.1.4 Providing Deli Solutions for our Customers Innovation

Piller's is positioned for continuous growth as a market leader across multiple product segments. Our strong customer and supplier relationships allow us to focus on innovation as a key source of growth. We invest in consumer research and R&D to be able to work closely with our customers to develop products that meet their customer's needs.

We are customer-centric in our approach to innovation, viewing our supplier and customer relationships as key strategic partnerships. Continued investment in equipment technologies and our people results in a culture conducive to innovation success.

Our diversified existing product portfolio, along with a strategic focus on innovation, and experience in exporting product internationally positions Piller's as the perfect import partner.

2.1.5 Piller's Products

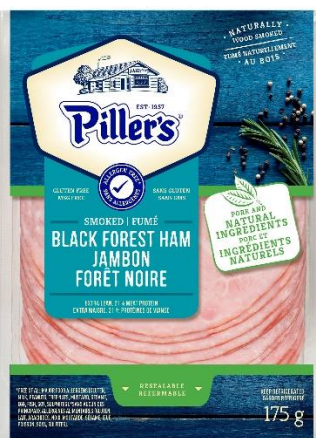
The processed deli meats industry includes multiple products segments and sub-segments. Piller's key segments include sliced meats, meat snacks, European specialty sausage, dinner sausage, hams, and salamis. While we produce high-quality products across all these segments, Piller's holds a competitive advantage with expertise in the dry cured salami and meat snack segments especially.

Sliced meats include traditional deli meats for sandwich applications such as Black Forest Ham, Turkey Breast, Chicken Breast, and Roast Beef – but also includes specialty dry-cured sliced meats like German, Hungarian Salami, Speck, and other specialty items.

Piller's is a market leader in meat snacks – a rapidly growing segment. Pepperoni and Turkey Pepperoni items are consumer favourites, and we continue to innovate in this segment with premium shelf stable snacking options like Salami Whips™ & Salami Chips™. We continue to invest in product line up expansion for meat snacks, which is a booming category. Meat snacks are showing double digit year over year growth in Canada according to Nielsen, and specialty meat snacks are expected to achieve 146.5% \$ volume growth in the USA from 2017-2021 according to the Specialty Food Association.



Piller's leans on its proven old-world recipes and has successfully adapted these products to satisfy modern consumer trends and needs such as allergen free, clean ingredients, raised without antibiotics and more. Piller's understands that entering new markets will require further development for that market's respective trends: as an example, food allergens in North America are not the same in Japan.



2.1.6 Experience and Capabilities

Piller's has over 60 years experience in the deli meat industry which has resulted in extensive product and packaging capabilities. We produce products across multiple species (Pork, Beef, Turkey, Chicken) and in multiple formats including sliced, sausages (multiple diameters), diced, julienne strips, piece, and bulk.



Packaging capabilities include Modified Atmosphere Packaging (sometimes described as gas-flushed, or pillow-pack) with roll stock film or labels, vacuum pack with roll stock film or labels, printed gusseted pouches, and printed



bags. Piller's is differentiated with the capability to interleave sliced meats for portion control, and has introduced resealable packaging across a range of our product lines.

Piller's continues to innovate to keep up with consumer demands, and have developed products that include claims such as Nitrite-Free and Raised Without Antibiotics (RWA). We invest in production technologies such as special alginate casings derived from plant-based sources, which provides smaller diameter products that give a tender bite compared to traditional casings. Piller's has a team of Food Technicians on staff that collaborate with our vendor community's team of food technicians in order to bring the latest in food innovation.

International Awards

Over the years, our commitment to producing high quality delicatessen meats has earned us more than **120 international awards** for product quality and superior taste.



Piller's is expanding into organic deli meat products with recent production facilities becoming Organic Certified and through it's McLean brand.



2.1.7 Our Focus Industries & Customers

Our vast assortment of products and wide array of capabilities allows us to cultivate successful relationships across multiple channels including retail (traditional and non-traditional), foodservice, and export.

The retail grocery landscape in Canada is highly consolidated, with only a few major players. Piller's has longstanding relationships with all major retail grocery customers in Canada (Loblaws, Sobeys, Metro) as well as with warehouse clubs and mass merchandisers (Walmart and Costco). Piller's products are sold nationally through these customers and are also sold to regional independent grocers.

In addition to our retail customers, Piller's expertise and ability to work closely with Foodservice customers to develop products for multiple applications has led to continuous success. Some examples of Foodservice customers include major Quick Service Restaurants (Tim Hortons, Starbucks, McDonalds, Subway and Dairy Queen), Casual Dining Restaurants (Boston Pizza), and major distributors which service a variety of restaurant operators including large contract feeder such as Compass Group and Aramark that service the business & industry, education and healthcare sectors.

Piller's also has experience in producing and selling products through convenience stores and non-traditional channels, and we are currently exploring e-commerce.





Tim Hortons



In the USA, Piller's has successfully worked with many Importers for 25 years in bringing our unique specialty products under the Black Kassel brand.

These Importers act as not only distributors but sales agents across the nation. Piller's supports our Import partners with a large Broker that is entrenched with Retailers and distributors in all 50 states. Black Kassel can be found at leading retailers in the U.S.A. such as...



Bristol Farms



2.1.8 International Experience

Piller's has sold branded and foodservice product to the USA for over 25 years through import partners and distributors. We also have some experience exporting product to Mexico and Asia. This experience has allowed us to understand the regulatory challenges that come with international sales. Our current structure with Sales, R&D, Regulatory and Logistics departments is optimized to collaborate with In-market Partners to execute on products, packaging and supply chain deliverables in bringing products to international markets.



2.2 Company Resources

Internal Resources		External Resources
Financial Resources	1 month credit exposure - \$100K Travel Trade Shows Trade Missions Corporate Information Packages	Government Support Programs EDC Insurance Letter of Credit Parent Co. Premium Brands Ecosystem
Human Resources	Sales & Marketing Dedicated Int'l Mgr/Coordinator R&D QA Logistics A/R Demand Planning	Consultants Legal Translator
Physical Resources	Time Capacity Procurement	
Intellectual Resources	Marketing Department Trade Publications Trade Marks Processes and Recipes	Market Research Conestoga Meat Packers – Raw Material Supplier Kanematsu Group – Japanese Trading Co.

2.2.1 Financial Resources

Piller's understand that their will be an element of financial resources required to enter the Japan market. Travel, attending and participating in trade shows and trade missions will be an expectation

Piller's can leverage its parent company, Premium brands for financial resources

Premium Brands is a publicly traded holding company based in British Columbia with reported sales of \$3 Billion in sales in 2018. Its focus is to invest in specialty food businesses featuring: entrepreneurial cultures; great tasting foods made with wholesome ingredients; and a passion for both their local communities and what is best for our planet. The company has had a successful track record of acquisitions which has led to a diversified portfolio of North American companies specialized in Seafood, Distribution, Protein, Sandwich and Bakery.

PB now have over 6,700 employees, 52 operating facilities and sales across Canada and the U.S. Servicing over 22,000 customers. It has delivered to its shareholders an annual compounded return in excess of 28% over the past fifteen years while operating in a mature, highly competitive industry dominated by billion-dollar multinational food conglomerates with seemingly unlimited resources.

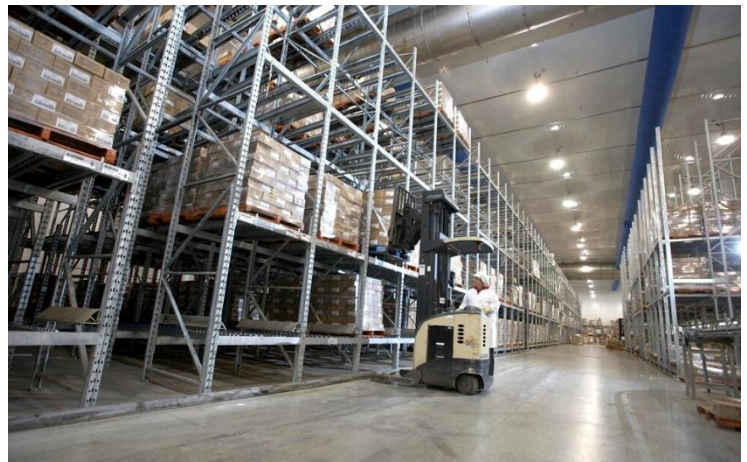
2.2.2 Human Resources

Piller's has several internal departments to help support our export initiative such as: Sales, Marketing, R&D, Logistics, QA, A/R and Demand Planning. Adding a dedicated Manager/Coordinator would centralize communication and efforts with all departments as well as in conjunction with a in-market trade partner. Tapping into external resources such as consultants, legal and the use of translators may be required if in-market trade partner does not provide. Kitchener/Waterloo area is renowned for deli meat processing and has an available pool of skilled labour.



2.2.3 Physical Resources

Piller's will need to set aside a production capacity number allotted to exporting to Japan the first two years of sales. We estimate that 150,000 kilograms of ham, meat snack and sausage capacity will be required to generate approximately \$2 Million in sales. In year two, based on the state of business and its profitability will dictate the capacity that will be carved out for years two to five. Like all long-term ventures, commitment to time, being consistent and setting reasonable expectations will be required if we are to be successful. Procurement may also play an integral part should specialty raw material cuts or components be required. We have many well-established relationships with our suppliers that will help aid in procuring our requirements.



Waterloo-Crafted Deli

This state of the art production facility is located at 443 Wismer Street in Waterloo, Ontario and processes over 15 million kilograms of Pork, Beef and Poultry products annually. It is equipped to process product in a variety of categories that include: luncheon meats, half & whole pieces; smoked hams; sausages; salamis; coil products; fermented and cooked products; and baked products. Finished product is packaged in a variety of formats that include: sliced; shaved; shingled; bulk and logs.

Arthur-Poultry Specialist

The Golden Valley Farms processing plant is located at 50 Wells Street in Arthur, Ontario just west of Highway 6 that provides ready access to the markets served. This plant was built in 1989 as a partnership between Piller's and Exceldor. This state-of-the-art production facility produces in excess of 8.3 million kilograms of processed meat specializing in poultry.

Brantford-Meat Snack Focused

In the spring of 2004 a property with a small manufacturing facility at 38 Middleton street, in Brantford, Ontario, was purchased by the Piller's organization. It was immediately determined that this four-year-old building would need both a

major renovation and an addition to suit the required needs of Piller's continued meat snack growth. This facility has undergone 2 expansions that now produces in excess of 2.2 million kilograms annually.

Waterloo-Distribution

The Distribution Centre is situated on Frobisher Drive in Waterloo, Ontario and is nearby the Conestoga Parkway a major thoroughway that connects directly to Highway 401 and other key roadways, ensuring quick and easy access to the market place. This 95,000 square foot centre houses state of the art sorting and scanning technology. Because of this technology, customer orders can be picked, packed and sorted utilizing the minimum number of employees. The scanning system sorts orders utilizing bar code technology that is linked to the production planning system. This integration improves order efficiency that allows Piller's to be a leading vendor partner to our customers.

2.2.4 Intellectual Resources

Piller's has an internal Marketing Department catering to the North American market that has access to several resources that support sales, marketing, and innovation activities. These include but are not limited to; trade publications, market intelligence reports, consumer research studies, product concept testing studies, first party customer sales data, and third-party sales data. We would work with our in-market trade partners in establishing the same to support our initiatives in Japan.

Our parent company, Premium Brands Holding, has an in-house legal department that can provide assistance in legal and trade mark requirements.

We have a well staffed Research & Development team that is experienced in working directly with international customers, co-packing partners, and other external stakeholders to develop products. Through strong ingredient and spice supplier relationships, the R&D team is up-to-date on the latest flavour trends and manufacturing innovations.



2.3 S.W.O.T. Analysis

2.3.1 Strengths

- **60 Years Experience**

Since 1957 Piller's has been at the forefront in our industry producing quality deli products enjoyed by customers and consumers alike. Dedicated to artisanal craftsmanship, Piller's is the only national branded meat processor that still smokes its meat over natural hardwood fires, and never uses added MSG.



- **Premium brands holding company / access to capital**

Piller's Fine Foods is a division of Premium Brands Operating Liability Partnership.

Premium Brands is a publicly traded holding company based in British Columbia with reported sales of \$3 Billion in sales in 2018. Its focus is to invest in specialty food businesses featuring: entrepreneurial cultures; great tasting foods made with wholesome ingredients; and a passion for both their local communities and what is best for our planet. The company has had a successful track record of acquisitions which has led to a diversified portfolio of North American companies specialized in Seafood, Distribution, Protein, Sandwich and Bakery.

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- **Adaptive Packaging formats**

We have many state-of-the-art packaging lines that can accommodate a myriad of customer requests. Specialty packaging includes easy-open, resealable, dual packs, gusseted pouches, Interleaved for foodservice portioning and multiple tray formats. Vacuum package and Modified Atmosphere packaging are capabilities.



- **Good in-market partners**

Piller's has developed very good relationships with in-market partners in the U.S.A. and with our limited experience in Mexico and Taiwan. With respect to Japan, Piller's has a good working relationship with a raw material supplier that has 10+ years experience exporting to Japan through its trading partner, Kanematsu Group.

- **Quality Control**

Piller's has an exemplary record for food safety and quality assurance.

2.3.2 Weaknesses

- **Understanding of foreign consumer opportunities**

Japan is a new market for Pillers, therefore we will need to rely on our trade partner to provide insights and market intelligence that together with our Marketing Team to identify Japanese market gaps and execute on realistic opportunities.

- **Small team that will need to stretch**

Exporting into Japan will require using our existing teams, which are small, yet flexible and adaptive. It will be necessary to stretch some departments initially while we gain experience and understanding of the requirements of export & product regulations, supply chain, and Japanese consumer's expectations.



2.3.3 Opportunities

- **Strategic Partnerships**

Execute on initial market strategy with Conestoga and Kanematsu Group. Also would be receptive in exploring other private label opportunities that other Canadian companies have in the Japanese market such as Canworld.

- **Digital marketing**

The Piller's Marketing Department has experience with both traditional and digital marketing. Proliferation of social networks and globalization creates an opportunity for cost effective digital marketing campaigns to be run in any market, where traditional media may be too expensive.

2.3.4 Threats

- **Navigating and managing currency exchange**

The yen is the official currency of Japan and it is the third most traded currency in the foreign exchange market after the United States dollar and the euro. There have been violent swings between the Japanese yen and its exchange rate with other currencies in the past 30 years. In the last 52 weeks there was a 12.8% variance from its 52-week high January 3rd, 2019 and the 52-week low on October 8th, 2018 with the Japanese yen and Canadian dollar.



- **Global raw material supply impacts**

The processed meat industry is subjected to the global market and thus exposed to supply issues such as disease, droughts and supply & demand.

- **Weather**

Supply Chain delays can be impacted due inclement-weather on land and sea.

- **Maintain Cold Supply Chain temperature**

The products we will be shipping to Japan are refrigerated and perishable with limited shelf life. We will require a federally approved refrigerated supply chain model that can maintain refrigeration at 4 degrees Celsius.

2.4 Piller's Goals and Objectives

Piller's objective is to expand its customer base in order to achieve a more resilient and sustainable company for the future. Today's marketplace is a global market and Canada has the most Free Trade agreements globally. This can be a double edge sword in that while the opportunities are there to develop foreign business, it also lends to more competition domestically in a mature market. The Piller's business model will include 3 specific business units; Domestic, U.S.A. and International. The end goal is to have each of these business units of equal strength thus achieving the strong well-balanced portfolio.



2.4.1 Strategic Goals for Expansion into Japan

Our timeline for expansion into Japan is shown below. We believe our goals and objectives are achievable with the right partner and commitment from our Executive Team.

	Quantifiable Goals	Objectives
Short term (next 2 years)	<ul style="list-style-type: none"> - To establish an in-market partner that includes distribution - Establish customer targets & product offerings (certified & approved) that have application - Attend trade show(s) - Begin shipping commercial orders 	<ul style="list-style-type: none"> - Research potential in-market partners - Develop short list & interview - Select in-market partner - Conduct in-market review of potential customers and products - Product Development from concept to final (5 products) - Produce samples and have potential customers review - Investigate any other industry accreditations that may have impact on business agreements ie Intertek, TUV



Medium term (2 – 4 years)	<ul style="list-style-type: none"> -Grow Customer Base and Product Offerings to sustain reliable long-term business -Leverage Japan business to springboard into other Asian Markets 	<ul style="list-style-type: none"> -Nurture relationships -Continue Product Innovation to extend offerings
Long Term 4+	<ul style="list-style-type: none"> - Potential Sales Office – take over some of the infrastructure - Small manufacturing or brokerage acquisition -Explore other business channels (foodservice, alternative and e-commerce) 	

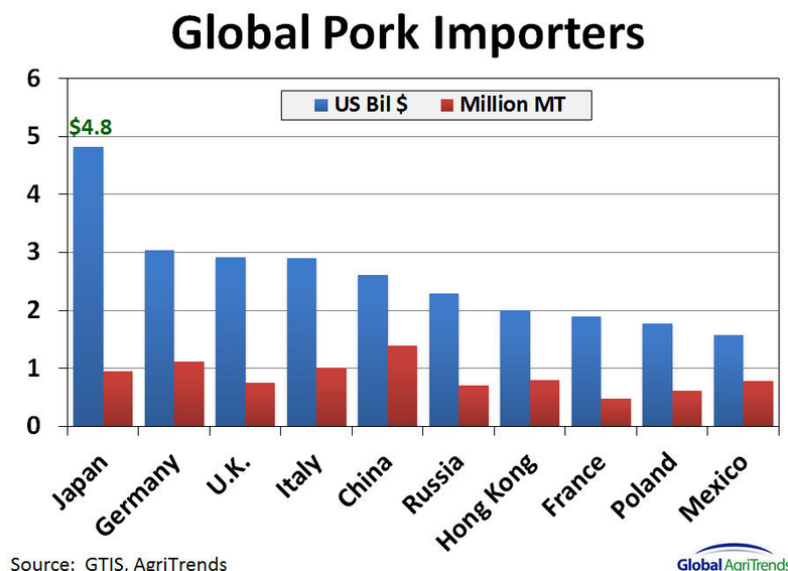


3 International Marketing Strategy

3.1 Market Analysis

3.1.1 Market Overview

We have chosen Japan as a target market as Japan has a population of 127 million and imports of over 790 billion Canadian dollars (Can\$), Japan was the world's third-largest economy in 2016 after the United States and China. Japan is also one of Canada's most important economic and commercial partners. Japan was the fourth-largest importer of agri-food and seafood products in the world, and Canada's third-largest market for agri-food and seafood with exports of Can \$4.2 billion in 2016. The following graphic illustrates that Japan is the #1 importing nation of Pork in value but is #4 in tonnage, which further demonstrates that Japan purchases higher value Pork products that makes it a good fit for the products Piller's is looking to provide.



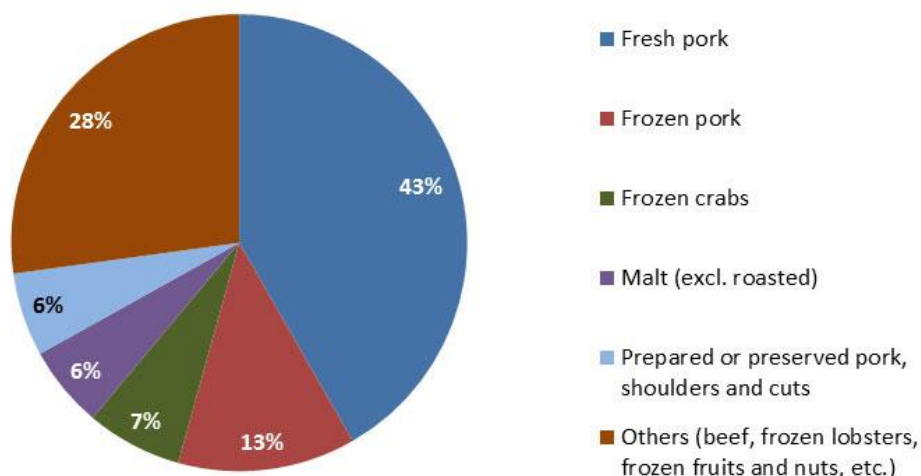
With the recent announcement of the CPTPP, Japan is even more attractive with the reduction of tariffs this agreement brings.

3.1.2 Market Research

Japan is a long-standing and trusted regional ally, with a large consumer base that is willing to pay high prices for specialty seasonal imports. Japan is a trend setter in many areas and can be a gateway to other markets in Asia. Japanese consumers are renowned for placing enormous importance on consuming food that is both safe and of high-quality, and they perceive Canada as a country that produces food with these characteristics. The Japanese put a high value on long-term business relationships which need to be built and understood, given that there are significant cultural differences with North America when it comes to doing business.



Canadian processed food exports to Japan, 2016



Source: Global Trade Tracker – November 2017

It is in Canada's interest to promote differentiated, high-value, unique and niche products. Beyond Canadian maple products, which represented 99.6% of the Can\$30 million maple products imported by Japan in 2016, exporters have an opportunity to position other products, such as beef, pork and lobster products, as having the same Canadian qualities and sharing the same positive image.

With one of the oldest populations in the world, the dietary requirements of Japanese consumers are changing, requiring more innovative products, such as easy to use packaging or smaller portions. Health-related products, such as fortified and functional foods, are also of very high importance.

Furthermore, with a growing number of small and single-person households, growth in the number of professional females, and consumers' increasing time constraints, products offering a high level of convenience, such as ready meals and frozen processed foods are increasing in demand.

The Japanese processed food imports valued at Can\$47 billion in 2016, with Canada representing 4.3% of that total. The United States, China, Thailand, Australia, and France were the largest suppliers of processed foods to Japan in 2016, providing 56% of the market.

3.1.3 Consumer Trends

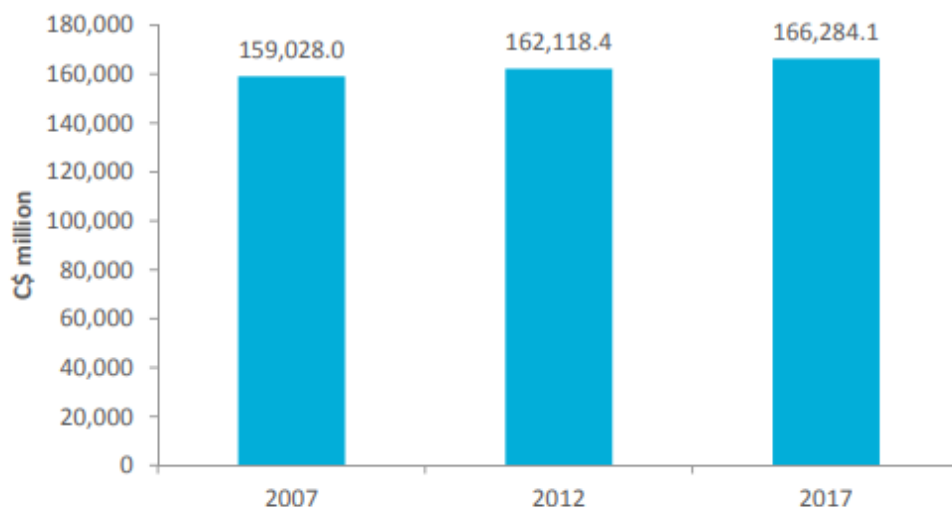
The quality and freshness of food is held in high regard among consumers, and Japan is a leader in the consumption of organic food. Product selection has diversified alongside consumption growth, resulting in a slight decrease in price. However, while Japanese consumers are influenced by price, they are unlikely to compromise the quality and freshness of food products for more affordable pricing. The consumption of organic food and drinks is expected to increase continuously over the 2015-2019 period (Euromonitor International, 2015).

Although Japan remains one of the largest importers of food, genetically modified (GM) foods are not popular in the country. Trust in relation to food is very important to Japanese consumers. In response to consumer expectations, any food product in the Japanese market that contains GM ingredients must be labelled in compliance with local regulations (The Ministry of Agriculture, Forestry and Fisheries of Japan, 2012).

Eating habits continue to shift in Japan, increasingly mimicking those found in North America and Western Europe. This has resulted in growing consumption of red meat and baked goods at the expense of fish and seafood and rice. In addition, the market has witnessed increased demand Market Opportunity Report: JAPAN Selected source material © Euromonitor International Ltd 2014. Applicable terms and conditions of use and the disclaimer at the front of this document apply. Page 10 for non-traditional products like pasta, bread, chilled meats, and prepared salads. In fact, frozen and chilled meats represent one of the largest opportunities for growth in Japan’s food market

Japanese consumers continue to search for ways of making their lives more efficient, including seeking out more convenient solutions for their eating and drinking needs. This trend continues to drive an increasing number of consumers to packaged food, which is more convenient and easier to prepare compared to its fresh food alternatives. Japan is also a nation that prefers convenience, quality, and single-serving sizes. More than 3 million people commute via a combination of train and walking into Tokyo every day and highly value convenience and accessibility. Convenience, health and food safety concerns fuel historic growth in packaged foods as illustrated below.

Chart 6 Retail Sales of Packaged Food (C\$ Million): 2007-2017



Source: Euromonitor International

Japan’s Generation M is the fastest growing senior population (over 65) in the world. The roughly 35 million citizens in this generation are expanding the influence of the silver demographic, estimated to now represent about 27% of the Japanese population but set to reach 36% by 2040. With such a large senior market, Japan’s youth segment is often overlooked though their consumption spending has increased. Young adults who live alone or with roommates do not cook and almost exclusively eat out. “Due to a busy lifestyle, these young people want to avoid the hassle of cooking at home. The rise of the working, single-person households is correlated to the rise in sales of ready-made, frozen, take-out, delivery, and restaurant-prepared meals,” the report says. Opportunity to serve an underserved demographic.



3.1.4 Comprehensive and Progressive Trans-Pacific Partnership (CPTPP)

The CPTPP Agreement will give Canadian agriculture and agri-food products preferential market access to all CPTPP countries. It will provide new market access opportunities for Canadian pork, beef, pulses, fruits and vegetables, malt, grains, cereals, animal feeds, maple syrup, wines and spirits, baked goods, processed grain and pulse products, sugar and chocolate confectionery, and processed foods and beverages.

In Japan, tariffs of up to 21.3% on pork products, including sausages, which are not subject to the gate price system will be eliminated within 15 years.



3.2 Political and Regulatory

3.2.1 Political

The Japanese political system is based on Japan's constitution, which was drafted after the end of World War II. Enacted on May 3, 1947, it firmly established a democracy in form of a constitutional monarchy, which, similar to the U.K., maintained its long-standing imperial family as the honorary figurehead of the country.

From this point forward, governmental power has been distributed between three branches; the National Diet, the Cabinet, and the judiciary sections of the government. These entities serve as the legislative, executive, and judiciary branches respectively.

According to the constitution, the Emperor carries out ceremonial duties, such as appointing the Prime Minister and the Chief Justice of the Supreme Court into office, and presenting distinguished awards from the government of Japan. The prime minister of Japan is the face of Japan's acting government, driving domestic policy and guiding foreign diplomacy for the nation. To be a prime minister of Japan, one must be a Japanese national, and also a standing member of the current National Diet.

Prime Ministers are not elected by a direct vote from citizens, but are appointed by the Diet. Therefore, whichever party holds control in the Diet will likely appoint their party leader to be the prime minister.

The Diet of Japan consists of an upper house, The House of Councilors, and a lower house, The House of Representatives. It is the highest level of state power in the country, and the only section of government that can enact new laws.

The Diet's main functions include appointing the prime minister of Japan, approving the national budget, ratifying international treaties, and creating and implementing amendments to the constitution.

The lower house, The House of Representatives, consists of 480 members who serve 4-year terms. 300 members are

voted into office directly from their local districts. 180 of the members are preferred party members appointed via the proportional representation system.

The House of Representatives holds the highest authority of pushing bills into law. If the House of Councillors rejects a bill, the House of Representatives can re-vote on the bill and enact it with a vote of two-thirds or higher in support. Additionally, the executive branch has the power to dissolve The House of Representatives, resulting in an election before their 4-year terms are over. The upper house, The House of Councillors, consists of 242 members who serve 6-year terms. Elections for half of the house are held every three years. 146 members are voted into office directly from their local districts. 96 of the members are preferred party members who are appointed into to power via a proportional representation system based on the amount of votes that were given to each political party.

3.2.2 Economic Considerations

Trade agreements

Currently there is “The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)”, also known as TPP11 or TPP-11, which is a trade agreement between many countries and Canada is apart of it; however, unforeseen restrictive and unbalanced trade agreements could have a detrimental impact on exporting or not.

Tariffs (protectionism)

The CPTPP provides comprehensive tariff elimination across all sectors. Once fully implemented, 99% of tariff lines among CPTPP parties will be duty-free. Once the agreement is fully implemented, Canada will have duty-free access to CPTPP countries for 94% of Canadian agriculture and agri-food products exports.

3.2.3 Regulatory

All Canadian establishments under federal inspection are considered as being eligible to export meat products to Japan

- Eligible Products
 - Beef products
 - products derived from animals under thirty (30) months of age (UTM) at time of slaughter
 - stomach (scalded or unscalded)
 - intestines (small or large)
 - Pork products
 - stomach (scalded or unscalded)
 - intestines (small or large)
 - non-gravid uteri from gilts



- Poultry
 - Rabbit meat derived from rabbits born and raised in Canada
 - Organs and tissues
 - hearts
 - livers
 - kidneys
 - Achilles tendon
 - ligamentum nuchae
 - Artificial casings of Canadian origin, including bovine collagen casings
 - Cured meat products
-
- **Casings**
 - Establishments preparing meat products in casings destined to Japan
 - For approval purposes, the Japanese animal health authorities require to be notified of the name, address and registration number of Canadian establishments handling natural casings derived from bovine, sheep and goat and that are exporting products in casings to Japan, for example, sausage manufacturing establishments.
 - In order to obtain approval, controls on the origin of natural casings derived from bovines, sheep and goats must be implemented to satisfy the Japanese requirements.
 - In the case of such casings being supplied by another Canadian establishment, the supplier must appear on the list of casing handling establishments approved by Japan (see Annex 1 - List of Establishments Approved to Export to Japan).
 - Requests for approval should be submitted using [Annex I - Application for Establishment Approval](#).
 - Establishments exporting natural casings to Japan
 - The Japanese [Ministry of Health, Labour and Welfare \(MHLW\)](#) prohibits the use of natural casings derived from bovines, even when originating from a BSE free country, in the preparation of sausages destined for the Japanese market.
 - Natural casings derived from bovines, sheep and goats handled at the establishment must not originate from the following countries (excluded by Japan as countries of origin of natural ruminant casings): Austria, Belgium, Brazil, **Canada**, Czech Republic, Denmark, Finland, France, Germany, Greece, Ireland, Israel, Italy, Liechtenstein, Luxembourg, Netherlands, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden, Switzerland, the United Kingdom, and the United States of America.
 - For establishments preparing meat products in casings destined for Japan, natural casings derived from bovine, sheep and goats handled at an approved facility must only originate from a country that has not reported any indigenous cases of Bovine Spongiform Encephalopathy (BSE).
 - All European Union countries and Brazil are excluded as country of origin for such casings. Australia and New Zealand are approved to export such casings to Canada and to Japan.



- Import certificates should be kept on file to demonstrate the origin of the natural casings derived for bovines, sheep and goats used at the establishment.
- Inventory records must be maintained by operators regarding the origin of the natural casings derived from bovines, sheep and goat present in the establishment.
- These records should be made available to the CFIA inspector upon request.

- Artificial casings

- Artificial casings of Canadian origin, including bovine collagen casings, are eligible to be used for meat products to be exported to Japan (in addition to collagen casings imported from Japan).
- No additional certificate from CFIA is required for such casings, with or without meat product in them.

- Cured meat products

Exporters and/or importers are responsible to ensure that applicable Japanese requirements are met when exporting prepared meat products.

It is permitted to export cured meat products to Japan. Curing may be followed by smoking and/or drying. See criteria below.

- Curing methods and procedures

- For dry curing, 6% or more of salt (NaCl) and 200 ppm of sodium nitrite (NaNO₂) shall be added, by weight ratio, to the raw meat.
- For pickle curing, by immersion or by pumping, the pickle must contain 15% or more NaCl and 200 or more ppm NaNO₂. In the case of immersion pickling, the raw meat must be completely covered.
- Any combination of the above methods is permitted (see the section on finished products below).
- During curing the meat shall be kept at a temperature of 5°C or less.
- The meat shall be cured to rapidly achieve a water activity (Aw) below 0.96.
- For desalting, if necessary, cured meat may be desalted in continuously changing potable water, the temperature of which is not to exceed 5°C.

- Smoking and/or drying

- Cured meat is to be smoked and/or dried at a temperature below 20°C or above 50°C. The cured meat shall be smoked and/or dried until at an Aw below 0.94.

- Finished products

- Cured meat products must be free of coliforms and have an Aw of 0.96 or less and be maintained at a temperature of 5°C or less.
- Smoked or dried cured meat products must be free of coliforms and have an Aw below 0.94 and be maintained at a temperature of 10°C or less.
- Fully dried cured meat products not requiring refrigerated storage must be free of coliforms and have an Aw of 0.86 or less. The level of residual nitrite (NO₂) must not exceed 70 ppm.



- **Preservatives in processed meat products**

In addition to nitrites, the use of erythorbic acid and sodium erythorbate is permitted.

Japan permits the use of sorbic acid and potassium sorbate up to 2000 ppm.

- **Documentation requirements**

Certificate:

- Certificate of Inspection Covering Meat Products (CFIA/ACIA 1454)
- Annex A: Sanitary Health Certificate (Red Meat) – Japan (CFIA/ACIA 1482)
 - In addition to CFIA/ACIA 1454, Annex A shall be issued for each shipment of red meat, including horse meat.
 - The original copy of this certificate shall accompany the original copy of CFIA/ACIA 1454.
 - In the case of pork, the following declaration must appear in the space for additional certification of CFIA/ACIA 1454:

"Canada is free from hog cholera, vaccination against hog cholera is prohibited in Canada and the importation of live swine and fresh pork from a hog cholera-infected country and from countries vaccinating against hog cholera is prohibited in Canada."
- Annex B: Sanitary Health Certificate (Poultry) – Japan (CFIA/ACIA 4367)
 - In addition to CFIA/ACIA 1454, Annex B and Annex K (see below) shall be issued for each shipment of poultry meat.
 - The original annexes shall accompany the original CFIA/ACIA 1454.



3.3 Marketing Plan

3.3.1 Product Scope

Piller's Fine Foods has been very successful in providing unique value-added products in packaging formats that help consumers in their lifestyle. We see an opportunity to introduce these products to Japan with an understanding that we may need to adapt these products with flavour and packaging profiles that would best suit the Japanese consumer's specific needs. This desire and focus on aiding the consumer is one of the largest reasons for Piller's success domestically and what we feel will lead our success in foreign markets...it's just the Canadian way.

3.3.2 Market Entry Strategies

Trading Entry Strategies	Advantages	Disadvantages
Direct exporting (to end user)	maximizes margin for us as it eliminates layers deal directly with retailer/operator to have a sense for the business	we are responsible for all shipping and customs clearance require in-market employees/office and/or representation firms
Indirect exporting or Licensing (via distributor, agent, or third-party)	tap into existing infrastructure, relationships, and customers would look after customs clearance	not as close to selling cycle rely on others which means that price objections would be stronger as they look for easier sale
eCommerce Platforms	most direct to consumer receive direct consumer feedback and understanding of consumer needs	costs to implement site and tailor to specific market need to understand the logistics of shipping meat products



Investing Entry Strategies	Advantages	Disadvantages
Branch/Sub Office	provides a local prescence seen as local business	higher startup costs need to hire local employees take time to build sales to build a positive financial statement
Joint Venture/Partnership or Alliance	provides a local prescence share in costs tap into established network	share in margin not full control of operation
Investing in Production	would provide in market prescence product would already be in market able to respond quickly to market demands	share recipes and production methods which could be a risk of being stolen may not be able to replicate product integrity
Merge or Acquire	would provide in market prescence tap into exisiting infrastructure and relationships	take on unknown business obligations and debts not found in acquistion/merger discovery
Franchising	not sure this is an option for our type business	

3.3.2 Initial Market Entry

Our initial market strategy is to work with one of Piller's raw pork suppliers-Conestoga Meat Packers, who have had success in providing chilled fresh pork in the Japan marketplace. While the Japanese consumer's perception that there is no higher quality of fresh pork than their domestic product which means any imported product would need to provide a better and unique value proposition in order to have any success. Canadian pork, while actually superior in quality has its challenges in overcoming this Japanese consumer perception; however, Canada does resonate with Japanese consumers for being "natural, clean, wholesome and with an abundant supply of clean fresh water" which provides a leg up on other foreign competition.

Conestoga has experienced success in providing this value platform even with the added logistics and customs in order to do so. Their success with in-market trade partner Kanematsu Group has resulted in developing an Japanese brand for their chilled fresh pork to continue their success with the eventual prospect of being seen as on par with Japanese domestic pork. In February of 2016 we rebranded our Chilled Pork in Japan to Gensenton – "Excellent Selection Pork" – Ontario Pork...Gift from the land of Canada 1) Raised by designated farmers in Ontario 2) Raised Healthily with homegrown corn & wheat 3) High quality ensured by strict selection of Japanese standards.





Figure 1 Japanese Packaging Example



Figure 2 Full Counter Product Display - Gensenton



Figure 3 Gensenton dedicated bunker display and personal message from the Meat Manager giving his personal satisfaction guarantee to his customers

Piller's objective to apply our experience and craftsmanship to provide processed meat products under this brand to continue to extend this brand's presence, relevance and market share.

We plan to enter the market through the following stages:

- 1) **Ready to Eat (RTE) Pork Products:** Collaborating with our raw material supplier, Conestoga Meat Packers, who have established a strong following in the Japanese marketplace for their branded fresh pork. Their brand is recognized as Verified Canadian Pork (VCP) which is a classification that provides very high standards in leanness, colour of both lean meat & fat, protein, and size. Our objective is to work with their existing customers and infrastructure to develop processed products using this raw material. This could be RTE smoked hams, sausages, luncheon meats.
- 2) **Meat Snacks:** Piller's has been very successful in launching very thin diameter meat snack sticks that provide a tender bite. These meat snacks are made from our legendary dry aged salamis that have stood the test of time since originally developed by Sausages Meisters of the Middle Ages. Piller's has the technology to craft these salamis in a small diameter that gives consumers a pleasant tender bite which is vastly different from jerky products. These snacks are shelf-stable which allows them to go with consumers wherever they go and need a protein snack. Piller's can produce these meat snacks in long whip-like sizes down to small individual portion sizes.



- 3) **Signature Salamis:** Piller's has a great assortment of dry aged salamis that come in unique shapes such as flower, heart and square/diamond. These salamis are staples for the trendy Charcuterie boards that consumers enjoy sharing at restaurants and easily prepare for home entertaining.



We also provide a distinctive gift item that is a special seasonal salami in a wood veneer package that emphasizes the natural wood smoked process. Gift giving in Japan is deeply rooted in tradition with gifts given not only for social occasions, but also for social obligations -- gifts given when indebted to others, both family and business.



3.3.3 Future Products

Once established with our initial product offerings, we will collaborate with our retail customers on future products. It is important that we establish a strong relationship thru trust in not only supplying great products but understanding and proving how we can be a trustworthy vendor throughout supply chain and a genuine willingness to collaborate on adapting our product to the Japanese market

*"Coming **together** is a beginning; keeping **together** is progress; working **together** is success" ~ Edward Everett Hale*

3.3.4 Distribution

Distribution would be conducted via containers that would be driven across Canada to Vancouver then loaded on a ship to Japan. It takes one week to get to Vancouver then two weeks to get to Japan. In order to process the shipment, we would require one week to do the paperwork and all required marking of cartons to clear customs.

To maximize shelf-life on our fully cooked products we would need to add our High-Pressure Processing that would extend shelf-life from 90 to 120 days, depending on the product.

Taking all of the above into consideration we have determined we should be able to provide 45-50 days shelf-life for refrigerated product. There would be no shelf-life issues should the customer accept frozen product.

4 Planning, Implementation and Control

Expanding into Japan Provides Piller's with a great opportunity to broaden our customer base by taking the company to the next level. We can expand our International footprint by leveraging our core capabilities and utilize our parent company Premium Brands for capital if required. Internally we may experience negative impacts to EBITDA, but we can comfortably finance this initiative internally. Export growth is a key initiative for Piller's and we will budget the necessary sales allocations to the venture. We have the capacity, management, products, skills and leadership to go forward and enter this market.



4.1 Planning

As stated previously, we are comfortable that we are well staffed in most areas of our operations and in addition we have the capacity set aside to supply our expansion into Japan. An area of slight concern will be the added work loaded downloaded on to sales and marketing. We will be entering a market where there are a lot of unknowns and cultural differences. We will require an in-market trading partner, which we identified earlier will be the Kanematsu Group. In addition, we will require in year three a dedicated in-house sales person.

We are committed to frequent and extended travel to the region. This will be necessary to develop the relationships with our partner and customers to create the momentum required to succeed.

4.1.2 Required Resources

We will need to set aside minimal financial resources in year-1 (2019) \$50,000 for sales exploration, marketing and expenses. In Years 2-3 we will fund the sales and marketing efforts, by the returns of our expansion campaign. We understand from our experience into the US market that initially time, tenacity and commitment will dictate the success outcome. The return on these efforts, will also determine future investments moving forward.

Japan	YEAR 1 - 2019	YEAR 1 - 2020	YEAR 2 - 2021
Projected Gross Sales (Revenue)	\$0	\$500,000	\$1,200,000
Sales discounts, returns	n/a	n/a	n/a
Net Sales	\$0	\$500,000	\$1,200,000
Net Sales	\$0	\$500,000	\$1,200,000
Cost of Goods Sold	\$0	\$350,000	\$840,000
Gross Profit	\$0	\$150,000	\$360,000
Gross Profit	\$0	\$150,000	\$360,000
Salaries and Overtime	\$35,000	\$50,000	\$100,000
Sales and Marketing	\$5,000	\$30,000	\$40,000
General Administration	\$10,000	\$20,000	\$20,000
EBITDA			
EBITDA	-\$50,000	\$100,000	\$200,000
Taxes (Japanese tax rate 30%)	-\$50,000	\$30,000	\$60,000
Cash (outflow) inflow	-\$50,000	\$70,000	\$140,000
Financing required	-\$50,000	\$20,000	\$160,000



4.2 Budgeting

Premium Brands has a track record of growth and stable cash flow, which allows for dept financing for profitable ventures, therefor we can comfortably fund without requiring external resources.

4.2.1 Forecasts

Based on our expansion into the US market, our experience tells us that our forecasts and the associated costs will be reflective and err on the side of conservative.

4.3 Implementation and Action Plan

4.3.1 Control

Piller's has two formal tracking departments to manage product development. Prophecy which is a software program that initiates projects and tracks all required steps in the product development to ensure each project meets project objectives and timelines. We also have a Commercialization Department that will track sales activities associated with each project. For each sales call we will implement the following activity form that the Commercialization Department will maintain and keep on track.

	Company/person contacted	Nature of call	What was discussed	What was decided	Date to be completed	Follow-up action
Date	Name, title, contact details	Meeting/call/ Plant visit...	List of subjects covered	Actions and name of person responsible		Includes description and date



4.3.2 Action Plan

	Objective	Tasks to be Completed	Desired Outcome	List of Needed Resources	Person Responsible	Date to Begin	Due Date
1	Submit export plan for review by TAP mentors	complete export plan	complete as submitted, no revisions required		Sean Moriarty/Dave Brandow	8-Apr-19	2-May-19
2	Complete export plan	update export plan with revisions suggested by TAP mentors	completed export plan		Sean Moriarty/Dave Brandow	16-May-19	24-May-19
3	Initial product offering	<ul style="list-style-type: none"> * determine product selection * provide product list to R&D * prepare samples * prepare presentation * ship product for Kanamatsu review 			Dave Brandow	4-Jun-19	6-Jun-19
4	Prepare samples	produce samples as determined			R&D	6-Jun-19	4-Sep-19
5	Company & product presentation	<ul style="list-style-type: none"> * prepare product spec sheets * prepare presentation 			Marketing	4-Jul-19	30-Aug-19
6	Ship samples to Japan	arrange with a Conestoga shipment with all required documentation			Logistics	13-Sep-19	4-Oct-19
7	Kanamatsu product review				Dave Brandow		11-Oct-19
8	Kanamatsu agreement	<ul style="list-style-type: none"> * bring delegates over for tour * review business opportunities * enter into agreement for specific customers 	signed agreement		Sean Moriarty	28-Oct-19	
9	Develop support plan	<ul style="list-style-type: none"> * marketing * promotional * sales support materials * Regulation compliance 			Marketing	4-Nov-19	ongoing

