

OI Assessment Report 202400149 – SFJ Holdings Limited

Ki/To: Anneke Turton
 Leader - Assessment

Rā / Date: 20 June 2024

Mai/From: Martin Carter
 Customer Regulatory Specialist

Pūtake/Purpose

We seek your decision on an application for consent to acquire a significant an interest in sensitive land under the Overseas Investment Act 2005 (**Act**).

Summary

Applicant	SFJ Holdings Limited Japan 48.13% Various 51.87%
Vendors	A Verkerk Limited – Vendor of the Asset (AMP owns Land i) New Zealand 100% Mary-Anne Caroline Mills -Vendor of Land ii New Zealand 100%
Investment	Acquisition of sensitive land
Asset	Up to 100% of the shares in Ashburton Meat Processors Limited (AMP)
Land	A freehold interest in approximately: i) 20.4109 hectares of land at 170 Bridge Street, Ashburton ii) 17.4015 hectares of land at the Corner of Glassworks Road and Bridge Street, Ashburton
Consideration	\$15,000,000
Sensitivity	Is more than 5 hectares of non-urban land
Pathway	Benefit to NZ

Relevant tests	Investor test ¹ Benefit to NZ test ²
-----------------------	---

The Applicant is ultimately indirectly owned by S Foods Inc. which is a Japanese company registered on the Prime Market of the Tokyo Stock Exchange and which primarily carries out the business of manufacturing and selling meat products.

The Applicant is acquiring a freehold interest in approximately 37.8 hectares of sensitive land at Ashburton currently used to operate a meat processing facility. The Applicant intends to expand that facility.

The claimed benefits include capital expenditure, job creation and an increase in revenue, processing and exports.

Timing

A decision is required by **22 July 2024** to enable the decision to be communicated to the Applicant in compliance with the prescribed assessment timeframe of 70 working days.

Decision

- 1 I have determined that, for the reasons set out in this report:
 - the relevant overseas person(s) and individuals with control are as set out in the report;
 - the investor test has been met;
 - the benefit test is met.
- 2 I note that the transaction is not considered to be a transaction of national.
- 3 I therefore **grant consent** subject to the conditions in **Attachment 1**.

[s 9(2)(a)]

Anneke Turton

Leader - Assessment

Overseas Investment - LINZ

Rā/date: 20 June 2024

¹ Sections 16(1)(a) and 18A of the Act.

² Section 16(1) & s16A(1A).

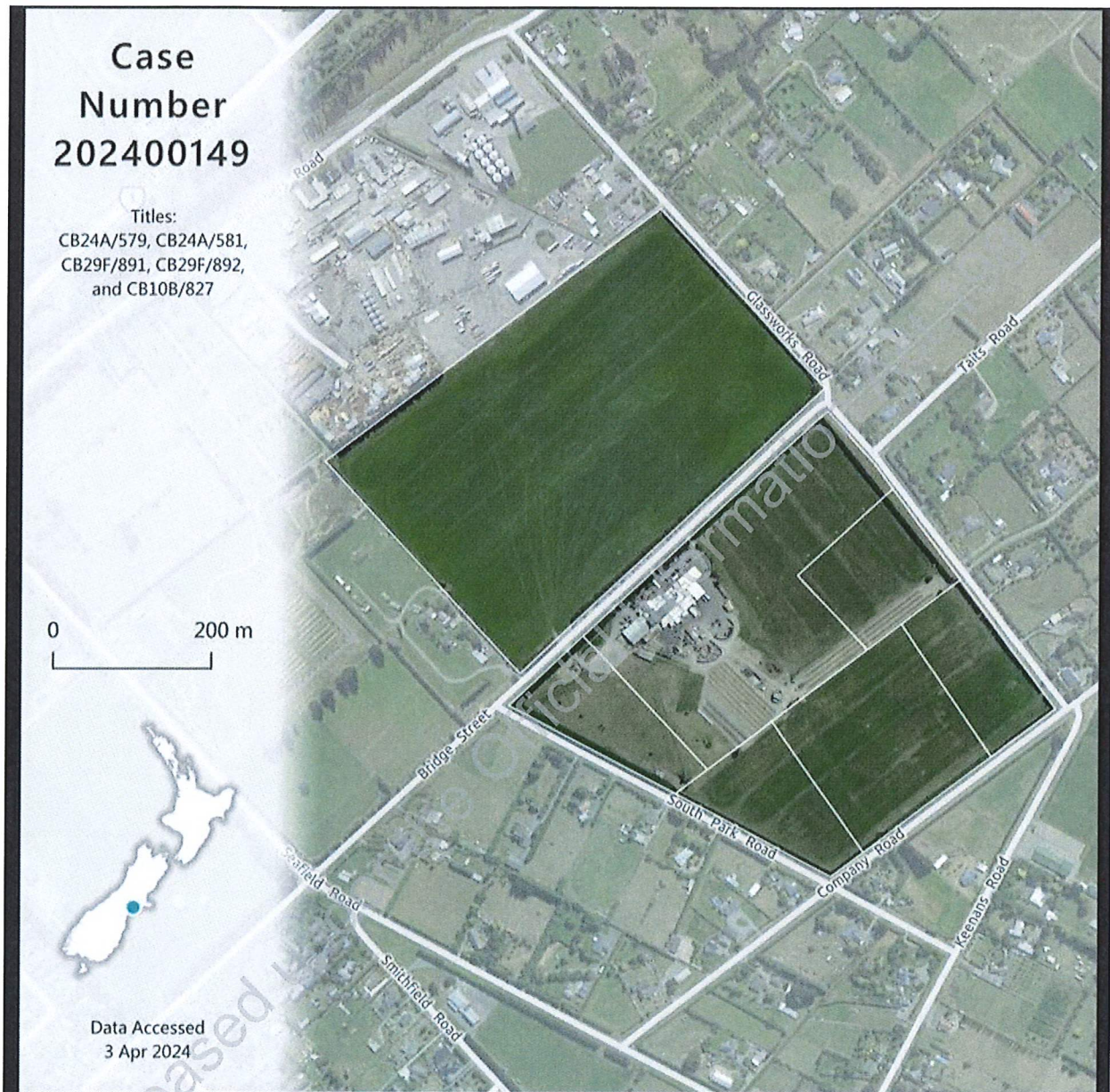
A. Background and proposed transaction

- 4 SFJ Holdings Limited (**Applicant**) is a New Zealand company which is owned by 2 Japanese companies-S Kikaku Co. Ltd (**S Kikaku**) and S Foods Inc. (**S Foods**). S Foods has international affiliate companies or subsidiaries for the regional manufacture and sale of its meat products and the Applicant is the affiliate for S Foods in New Zealand.
- 5 The Applicant is acquiring:
- up to 100% of the shares in Ashburton Meat Processors Limited (**AMP**) which has a freehold interest in approximately 20.4109 hectares of land at 170 Bridge Street Ashburton (**Bridge Street Property**); and
 - a freehold interest in approximately 17.4015 of land at the Corner of Glassworks Road and Bridge Street, Ashburton (**Glassworks Road Property**).
- 6 AMP processes and sells meat and requires both the Bridge Street and Glassworks Road Properties (**Land**) to operate its business. AMP's meat processing facility is located at the Bridge Street Property (**Facility**). AMP leases the Glassworks Road Property from Mary-Anne Caroline Mills and uses the Glassworks Road Property to temporarily hold livestock for slaughter and manage effluent and waste from the Bridge Street Property processing facility via irrigation.
- 7 [s 9(2)(b)(ii)]
[REDACTED]
[REDACTED]
[REDACTED]

Land

- 8 The Land is non-urban land over 5 hectares and has no other sensitivities. The Land has always been associated with abattoir activities and is zoned as designated for meat and food processing only.

9 The Land is shown in the following image:



B. Application of the Act

10 The Land is sensitive because it is non-urban land over 5 hectares in size³ so consent is required.⁴ The following criteria for an investment in sensitive land apply to this application:⁵

³ Table 1, Part 1, Schedule 1 of the Act.

⁴ Under sections 10(1)(a) and 12(1)(a)(i) of the Act.

⁵ Set out in section 16(1) of the Act.

- The investor test must be met.⁶
- The benefit to New Zealand test must be met.⁷
- You must also note whether the investment is a transaction of national interest and, if so, whether the Minister of Finance has decided that the Investment is contrary to New Zealand's national interest.⁸

11 In order to satisfy the benefit to New Zealand test, the decision-maker must:

- Determine that the overseas investment will, or is likely to, benefit NZ (or any part of it or group of New Zealanders);⁹

12 We assess the investor test in **Part C**, the benefit to New Zealand test in **Part D** and discuss national interest matters in **Part E**.

C. Applicant and investor test

13 This section describes the Applicant and assesses whether the investor test is met.

Business Activities

14 The Applicant is currently involved in cattle rearing and meat processing via third party toll processors¹⁰ in New Zealand. It supplies wholesale meat to retailers and restaurateurs (except for canned, cured or smoked poultry or rabbit meat) and is registered to export meat globally.

Ownership and control

15 S Kikaku owns 99.58% of the Applicant's shares and S Foods owns 0.42% of the Applicant's shares. S Foods owns 100% of the shares in S Kikaku making S foods the ultimate parent company of the Applicant. S Foods is listed on the Tokyo Stock Exchange.

16 S Foods shareholders are:

- Shinnosuke Murakami, the current President of S Foods (25.30%);
- Marubeni Corporation- an import and export company incorporated in Japan (15.32%);
- Master Trust Bank of Japan Ltd- a Trust Bank founded in Japan (7.51%); and
- the remaining 51.87% of the shares are owned by various shareholders, none of whom own more than 5% of the shares.

17 [s 9(2)(b)(ii)]

⁶ Section 18A / 16(1)(a) of the Act.

⁷ Section 16(1)(c)(ii).

⁸ Section 16(1)(g) of the Act.

⁹ Section 16A(1)(a) of the Act.

¹⁰ Toll processing involves a meat processor paying a renderer a processing fee but retaining ownership of the material throughout the process

[s 9(2)(b)(ii)]

18 [s 9(2)(b)(ii)]

Relevant overseas person and individuals with control

19 We recommend that the 'relevant overseas person' is (collectively):

Relevant overseas person	Reason
SFJ Holdings Limited	Applicant
S Kikaku	99.58% owner of the Applicant
S Foods	0.42% owner of the Applicant and 100% owner of S Kikaku

20 We recommend that the 'individuals with control of the relevant overseas person'¹¹ are:

Individuals with control*	Reason
Ryohei Yamaji	Directors of the Applicant
Takahiro Makimoto	
Satoshi Oki	
Naoki Yoshimura	Directors of S Kikaku
Yuji Oue	
Yuichi Koyama	
Shinnosuke Murakami	President & 25.3% shareholder of S Foods
Hirokatsu Hirai	Directors of S Foods
Junji Izuta	
Hiroyasu Iwabuchi	
Kenji Unoki	
Mitsufumi Sugimoto	

¹¹ Section 15 of the Act.

Summary of investor test

21 The relevant overseas persons and individuals with control established none of the factors contained in section 18A(4) of the Act, [therefore we consider the **investor test has been met.**

D. Investment plan and benefit to NZ test

22 This section describes the Investment and our assessment of whether it is likely to meet the benefit to NZ test in the Act.

Current state (counterfactual)

23 AMP operates the Facility at the Bridge Street Property processing cattle, sheep and pig and uses the Glassworks property to hold livestock for slaughter and manage effluent and waste created at the Facility.

24 AMP:

- processed¹² a total of [s 9(2)(b)(ii)] head of stock consisting of [s 9(2)(b)(i)] beef, [s 9(2)(b)(ii)] pork, [s 9(2)(b)(ii)] chopper¹³ and [s 9(2)(b)(ii)] sheep;
- processes approximately [s 9(2)(b)(ii)] pigs per week¹⁴ producing an output of [s 9(2)(b)(ii)] being an equivalent of [s 9(2)(b)(ii)] of the total New Zealand market share;
- had revenue¹⁵ of [s 9(2)(b)(ii)] of which [s 9(2)(b)(ii)] was export revenue for pig casings;
- employs approximately 200 FTE, from frontline meat processing labourers to management at the Facility. All are permanent employees; and
- has an export licence valid until June 2024 and currently exports pig casings to Australia. All other exports are via other customers of AMP for products such as hides, blood and petfood offal and AMP provides export certificates for these products exported by its customers to destination countries including Canada, Japan, United States and the European Union.

25 [s 9(2)(b)(ii)]
[REDACTED]
[REDACTED]
[REDACTED]

Investment plan

26 Expansion of the Facility will include:

- constructing a new beef chain built to export standards;
- [s 9(2)(b)(ii)]
[REDACTED]

¹² For the Financial Year 2023

¹³ Large pig

¹⁴ In 2022

¹⁵ to 30 June 2023

a new meat processing room (**Expansion**).

27 [s 9(2)(b)(ii)] . Key information about the Applicant’s Investment is summarised below:

Capital expenditure and processing

28 Construction of the Expansion is estimated to cost approximately [s 9(2)(b)(ii)] and will allow greater production of current products and more specialist products, such as Wagyu beef and grain fed beef, which are not currently produced at the Facility.

29 The Expansion will also enable processing capacity to increase- will be able to process [s 9(2)(b)(i)] heads of beef per week, compared against the current [s 9(2)(b)(i)] which is an increase of [s 9(2)(b)(i)] on current processing volumes.

30 [s 9(2)(b)(ii)]
[s 9(2)(b)(ii)]
[s 9(2)(b)(ii)]
[s 9(2)(b)(ii)]

New production -wagyu and grass fed cattle

31 Currently, a large majority of beef produced in New Zealand is grass fed. There is a subset of the market where cattle are reared on grass and then finished on grain. Wagyu beef and grain fed cattle attract a higher price, both domestically and internationally.

32 The Applicant has an existing business in Wagyu beef production and trading. Following completion of the Expansion, AMP will be able to process Wagyu and increased amounts of grain fed cattle, creating a Wagyu cattle processing and product market via its existing domestic and global Wagyu beef processing and supply business.

Exports & revenue

33 The Applicant intends increasing annual revenue to [s 9(2)(b)(ii)] [s 9(2)(b)(i)] - of which approximately [s 9(2)(b)(ii)] will be export revenue.

34 A driving factor behind the Expansion is increasing export receipts. Following the expansion the Applicant intends exporting product to [s 9(2)(b)(ii)]

35 The Expansion will provide for an export focus and the timeframe estimated to obtain [s 9(2)(b)(i)] [s 9(2)(b)(ii)] . Export of Wagyu beef and other products will be by [s 9(2)(b)(i)] [s 9(2)(b)(ii)] The revenue estimated to be achieved from this market is [s 9(2)(b)(ii)]

Jobs

36 The Applicant will require additional employees to support its new export facility and increased processing capacity. The Applicant estimates that following the expansion of the facility 85

¹⁶ excluding plant and equipment fit out (estimated at approximately [s 9(2)(b)(i)]) and demolition of existing walls and structures

additional full-time equivalent (**FTE**) employees will be required. All new FTE will be permanent employees.

Assessment of benefits

- 37 We have analysed the benefits to New Zealand that are likely to result of the Investment, compared to the current state of the Land, in the table below. This may include benefits that the Applicant did not specifically claim, but that we have identified may occur.
- 38 Factors that we considered were either not relevant to the Investment, or the benefit to New Zealand was not sufficient to be relied on, are noted in **Attachment 2**.

Benefit		Analysis
Economic Strong	Job Creation	Increase of 85 permanent FTE
	Increased revenue	Increased annual return of approximately [s 9(2)(b)(i)]
	Increased processing	Increase of [s 9(2)(b)(ii)] in processing capability for beef
	Increased export receipts and export of new products	Increase of approximately [s 9(2)(b)(ii)] in annual export receipts by [s 9(2)(b)(i)] New export of wagyu and grain fed cattle from the Land
	Capital expenditure	At least [s 9(2)(b)(ii)] on the Expansion

Consultation and submissions about the investment

39 No third-party submissions were sought or received in relation to this application.

Proposed conditions and rationale

40 Undertake the Expansion and begin processing wagyu beef at the Facility.

Conclusion – benefit to NZ test

Key benefits

- 41 After considering the application, we are satisfied that the Investment is likely to result in the benefits considered above. In particular, the economic benefits including:
 - Increased permanent FTE of 85;
 - Increased revenue of approximately [s 9(2)(b)(ii)] ;
 - Increase in processing capability of [s 9(2)(b)(ii)] ;

- Increased export receipts of approximately [s 9(2)(b)(ii)]; and
- Capital expenditure of at least [s 9(2)(b)(ii)] on the Expansion.

Proportionality

- 42 We have undertaken our assessment having regard to the sensitivity of the Land and the nature of the overseas investment transaction, reflecting the proportional nature of the benefit to NZ test.
- 43 The Land is approximately 38 hectares and has been used since the 1950's solely for meat and food processing, temporarily holding livestock for slaughter and managing processing waste. The only sensitivity of the Land is being non-urban land exceeding 5 hectares in area. The Applicant will continue to operate the Facility on the Land and will undertake the Expansion.

Conclusion

- 44 After considering the application, we are satisfied that the Investment is likely to result in economic benefits in proportion to the sensitivity of the Land being acquired and the nature of the Investment.

E. Not a transaction of national interest

- 45 The Investment does not involve a transaction of national interest under the mandatory criteria of the Act.¹⁷ This is because the Investment does not involve a non-NZ government investor, or an investment in a strategically important business (as defined in the Act).
- 46 The Minister of Finance has not called the Investment in for a national interest assessment.¹⁸

F. Conclusion

- 47 For the reasons set out in this report, we consider that the criteria for consent have been met and our recommendation is to grant consent.
- 48 We refer you to **Attachment 1** to review the Proposed Decision (including consent conditions), and from page 2 of this Assessment Report to record your decision.

G. Attachments

- 1 Proposed Decision
- 2 Other benefit factors

¹⁷ Under section 20A of the Act.

¹⁸ Section 20B of the Act

ATTACHMENT 1 PROPOSED DECISION

Consent for Overseas Person to Acquire Sensitive New Zealand Land

Read this consent carefully - you must comply with all the conditions. If you do not, you may be required to dispose of the land and/or be subject to fines or other penalties.

Consent

Decision date: 20 June 2024

The following people have been given the following consent:

Case	202400149
Consent	The Consent Holder may acquire the Shares and the Glassworks Road Land; and Ashburton Meat Processors Limited may lease the Glassworks Road Land for a term exceeding 10 years or acquire the Glassworks Road Land; subject to the Conditions set out below.
Consent holder	SFJ Holdings Limited (company number 7410396) We will also refer to each Consent holder and the Consent holders together as you .
Shares	Up to 100% of the shares in Ashburton Meat Processors Limited (company number 142051) which owns the AMP Land.
AMP Land	A freehold interest in approximately 20.4109 hectares of land at 170 Bridge Street, Ashburton, contained in Records of Title CB24A/579, CB24A/581, CB29F/891, CB29F/892 (Canterbury).
Glassworks Road Land	A freehold interest in approximately 17.4015 hectares of land at Corner of Glassworks Road and Bridge Street, Ashburton contained in Record of Title CB 10B/827 (Canterbury).
Land	Means the AMP Land and the Glassworks Road Land
Timeframe	You have until 31 October 2024 to acquire the Land.

Conditions

Your Consent is subject to the Special conditions, Standard conditions and Reporting conditions (**Conditions**) set out below. You must comply with them all. Be aware that if you do not comply with the Conditions you may be subject to fines or other penalties, and you may also be required to dispose of the Land.

In the Consent and the Conditions, we refer to Toitū Te Whenua Land Information New Zealand as **LINZ, us or we**.

Act means the Overseas Investment Act 2005.

Expansion means expanding the Meat Processing Facility including constructing a new beef chain built to export standards.

Meat Processing Facility means the facility on the land at 170 Bridge Street Ashburton

Special conditions

You must comply with the following **special conditions**. These apply specifically to this Consent and were considerations that particularly influenced us to give consent:

Details	Required date
Special condition 1: Facility expansion	
You must : <ol style="list-style-type: none"> a. obtain all required resource consents for the Expansion b. complete the Expansion If you do not comply with this condition, Standard Condition 6 will apply and we may require you to dispose of the Land.	a) [s 9(2)(b)(ii)] b) [s 9(2)(b)(ii)]
Special condition 2: Wagyu beef processing	
You must begin processing wagyu beef at the Meat Processing Facility	By [s 9(2)(b)(ii)]

Standard conditions

You must also comply with the **standard conditions** set out below. These apply to all overseas people who are given consent to acquire sensitive New Zealand land, including you:

Details	Required date
Standard condition 1: Acquire the land	
<p>You must acquire the Land:</p> <ol style="list-style-type: none"> 1. by the date stated in the Consent. If you do not, your Consent will lapse or become invalid and you must not acquire the Land, and 2. using the acquisition, ownership, and control structure you described in your application. Note, only you - the named Consent Holder - may acquire the Land, not your subsidiary, trust, or other entity. 	As stated in the Consent
Standard condition 2: Tell us when you acquire the Land	
<p>You must tell us in writing when you have acquired the Land. Include details of:</p> <ol style="list-style-type: none"> 1. the date you acquired the Land (Settlement), 2. consideration paid (plus GST if any), 3. the structure by which the acquisition was made and who acquired the Land, and 4. copies of any transfer documents and Settlement statements. 	As soon as you can, and no later than two months after Settlement
Standard condition 3: Allow us to inspect the Land	
<p>Sometimes it will be helpful for us to visit the Land so we can monitor your compliance with the Conditions. We will give you at least two weeks' written notice if we want to do this. You must then:</p> <ol style="list-style-type: none"> 1. Allow a person we appoint (Inspector) to: <ol style="list-style-type: none"> a. enter onto the Land, including any building on it, other than a dwelling, for the purpose of monitoring your compliance with the Conditions (Inspection), 	At all times

Details	Required date
<p>b. remain there as long as is reasonably required to conduct the inspection,</p> <p>c. gather information,</p> <p>d. conduct surveys, inquiries, tests, and measurements,</p> <p>e. take photographs and video records, and</p> <p>f. do all other things reasonably necessary to carry out the Inspection.</p> <p>2. Take all reasonable steps to facilitate an Inspection including:</p> <p>a. directing your employees, agents, tenants, or other occupiers to permit an Inspector to conduct an Inspection,</p> <p>b. being available, or requiring your employees, agents, tenants, or other occupiers to be available, at all reasonable times during an Inspection to facilitate access onto and across the Land. This includes providing transport across the Land if reasonably required.</p> <p>During an Inspection:</p> <p>a. we will not compel you and your employees, agents, tenants, or other occupiers to answer our questions or to let us look at, copy or take away documents,</p> <p>b. our Inspector will comply with any reasonable instruction and co-operate with any reasonable health and safety policy or procedure you notify to us before the Inspection.</p>	
<p>Standard condition 4: Remain not unsuitable to Invest in New Zealand</p>	
<p>You, and to the extent that you are not an individual, the Individuals Who Control You must remain not unsuitable to own or control the Assets in accordance with section 18A(1) of the Act.</p> <p>The Individuals Who Control You are individuals who:</p> <p>a. are members of your governing body</p> <p>b. directly or indirectly, own or control more than 25% of you or of a person who itself owns or controls more than 25% of you, and</p>	<p>At all times</p>

Details	Required date
<p>c. are members of the governing body of the people referred to in paragraph (b) above.</p>	
<p>Standard condition 5: Tell us about changes that affect you, the people who control you, or people you control</p>	
<p>You must tell us in writing if any of the following events happens to any of the Consent holders:</p> <ol style="list-style-type: none"> 1. You become aware that you and/or any Individual Who Controls you establishes any of the investor test factors listed in section 18A(4) of the Act. 2. You cease to be an overseas person or dispose of all or any part of the Asset. 3. Your New Zealand Service Address changes. This is the address you provided us in your application as the address which we will send any legal document we need to serve on you. 	<p>Within 20 working days after the change</p>
<p>Standard condition 6: Dispose of the Land if you do not comply with key special conditions</p>	
<p>If all or part of this Standard Condition 6 applies to a special condition, we have said so in that special condition. If we consider you have failed to comply with one of those special conditions in a material way we may require you to dispose of the Land. We will give you written notice if we require you to dispose of the Land. After we have given you notice, you must:</p>	
<p>Value the Land: obtain and send us a copy of a market valuation of the Land from a New Zealand registered valuer.</p>	<p>Within six weeks of the date of our notice</p>
<p>Market the Land: instruct a licensed real estate agent to actively market the Land for sale on the open market.</p>	<p>Within six weeks of the date of our notice</p>
<p>Dispose of the Land: dispose of the Land to a third party who is not your associate.</p>	<p>Within six months of our notice</p>
<p>Offer without reserve: if you have not disposed of the Land within six months of our notice, offer the Land for sale by auction or tender without a reserve price or minimum bid and dispose of the Land.</p>	<p>Within nine months of our notice</p>

Details	Required date
<p>Report to us about marketing: tell us in writing about marketing activities undertaken and offers received for the Land.</p>	<p>By the last day of every March, June, September, and December after our notice or at any other time we require</p>
<p>Report disposal to us: send us, in writing, evidence of the following:</p> <ul style="list-style-type: none"> a. that you have disposed of the Land (including copies of sale and purchase agreements, settlement statements and titles showing the purchaser as registered proprietor), and b. that the purchaser is not your associate. 	<p>Within one month after the Land has been disposed of</p>

Reporting conditions

We need information from you about how your investment plan is tracking so we can monitor your progress against the Conditions.

In addition to Settlement reporting (as set out in Standard Condition 2), you must provide the OIO with reports detailing the progress of the investment. The reports must:

1. be submitted via our [Webform](#) by these dates:



2. contain information about:
 - a. your progress in implementing the special conditions (which can include photographs, maps or aerial imagery as evidence of compliance with relevant conditions),
 - b. [other specific information required]
3. follow the format of the template annual report published on our website

If requested in writing by the OIO, the Consent Holder(s) must provide a written report within 20 working days (or such other timeframe as specified) on any matter relating to its compliance with:

- a. the representations and plans made or submitted in support of the application and notified by the regulator as having been taken into account when the Consent was granted, or
- b. the conditions of this Consent.

Power to vary reporting date

The dates on which reports are due to be provided may be changed by agreement between LINZ and the Consent Holder, provided that this power may not be used to give a time extension for an individual report.

Power to narrow scope of reports

LINZ may temporarily or permanently waive the requirement to report on a particular matter.

Power not to require further reporting

LINZ may waive the requirement to submit a report and may waive the requirement for future reporting.

Released under the Official Information Act 1982

ATTACHMENT 2 OTHER BENEFIT FACTORS

The table **below** lists other factors in the Act for assessing the benefit of overseas investments.

We considered that the factors below were either not relevant to the Investment, or the benefit to New Zealand was not likely or sufficient to be relied on for the purposes of our assessment.

Factor	Reason not relevant or insufficient
Environmental	Insufficient – the environmental benefits are required by law and will be addressed by obtaining resource consents
Public access	Not relevant - no public access benefit is claimed as a result of the Investment.
Historic heritage	Not relevant - no historic heritage benefit is claimed as a result of the Investment.
Significant government policy	Not relevant - no significant government policy benefit is claimed as a result of the Investment.
Oversight and participation by New Zealanders	Not relevant - there will be no additional oversight above what already exists
Consequential benefits	Insufficient – the Applicant claims farmers will obtain a separate revenue stream from farming grain fed cattle.
Extraction of water for human consumption / bottling	Not relevant - the Investment does not involve the extraction of water for human consumption or bottling.