

Baseball Club Business

Creating financial and social value through baseball



Profit expansion strategy centering on the Hokkaido Nippon-Ham Fighters and a new stadium

Harmony with local communities has been a focus for the Hokkaido Nippon-Ham Fighters and their stadium since the team's relocation to Japan's northern island of Hokkaido. The NH Foods Group sees operation of the team and the stadium as part of its commitment to Co-creation and shared prosperity with local communities and society as a whole through food and sports.

Usage charges at the present stadium cost over one billion yen per year. In addition, revenue from billboard advertising, food and beverage sales, and other sources at the stadium is not attributable to NH Foods, while income from goods is subject to royalty payments. These and other factors have made the development of a long-term growth strategy difficult. In addition, the baseball business was only able to remain in surplus because NH Foods Ltd. contributed ¥2.7 billion last year, including advertising fees.

The sales scheme will change dramatically at the new stadium. With

new revenues from advertising, sales of goods, and other sources, the business will move from losses to profitability at the consolidated level.

We have established the Hokkaido Ballpark F Village scheme to carry out community development activities, including the development of the area around the ballpark, in ways that will also contribute to the achievement of the SDGs. Our aim is to achieve shared prosperity with local communities and support regional development through sport entertainment.

About one-third of the total area of land will be developed by the time of the opening of the new ballpark in the spring of 2023. The remainder will be developed in five four-year stages over the 20 years between the opening and 2042. This approach is based on the "Shared Creative Space" concept, which will allow us to enjoy the process of driving prosperity in step with changes in the social environment. Our ongoing challenge will be to go beyond baseball into the realm of community development.

Anticipated business returns from the new Ballpark

Item	Revenue category	Business environment		Remarks
		Today	New ballpark	
Business-consumer (B-C)	Ticket income	△	◎	The current stadium is used for both baseball and soccer. It lacks atmosphere during baseball matches because of the gap between the players and the crowd, which is the widest in the world. In addition, because the seating is all uniform, it is not possible to offer diverse viewing environments.
	Goods income	×	◎	Currently commissions of 30% or higher are levied on sales of team and player goods. There will be no such commissions in the new stadium.
	Food and beverage income	×	◎	We are unable to provide any food and beverages in the present stadium. In the new stadium it will be possible to develop a presence as a team owned by a food manufacturer.
	Other B-C business income	△	◎	Other income will include fan club revenues. With a company-owned ballpark, we will have greater freedom to offer special services to fan club members.
Business-business (B-B)	Sale of broadcasting rights	○	◎	Because the new ballpark will be owned by NH Foods, there will be greater freedom for the positioning of cameras and other equipment for television and Internet broadcasting, resulting in dramatically improved television coverage. Another positive will be the opportunity to create WEB content, including content for social networking services.
	Advertising income	×	◎	Income from sponsor advertisements in the stadium has not been attributable to NH Foods in the existing stadium. In the new stadium, NH Foods will receive all advertising income. In addition to billboards, there will also be greater freedom to provide other types of advertising, resulting in even more advertising income.
	Other B-B income	○	○	There will be additional income from game licensing, and from companies that use team logos and mascots for product promotions.

New stadium to be financed by sustainability bonds

The aim of the new Hokkaido Ballpark F Village project is not simply to build a ballpark, but to put down roots in the Hokkaido community and work with all stakeholders to create a space that will symbolize the region. We want this space to become a focus of pride and affection for the citizens of Hokkaido, and a starting point for sustainable community development.

The new stadium will also have important social value as an evacuation center in times of emergency. In addition, the stadium will feature an eco-friendly design that will reduce energy consumption and resource use.

Recognition for these efforts includes a 5 star ranking under the DBJ Green Building certification system, which is administered by the Development Bank of Japan to support real estate projects and businesses that have shown care for society and the environment.

Thanks to this recognition, we were able to implement the NH Foods Group's first sustainability bond issue to fund or refinance expenditure relating to the construction of the new ballpark. Sustainability bond issues are used exclusively to fund initiatives to alleviate environmental and social issues, and projects designed to

produce positive outcomes. The pursuit of sustainability is identified as a management policy in the Group's Medium-Term Management Plan 2020, which covered a three-year period starting in fiscal year 2018. The allocation of funds from the parent company bond issue to the construction of the new stadium aligns with our commitment to working toward environmental and social sustainability.

Overview of NH Foods Ltd. sustainability bond

Issuance period	10 years
Amount	¥10 billion
Issue date	February 2021
Lead manager	SMBC Nikko Securities Inc. (administration) Nomura Securities Co., Ltd.
Sustainability bond structuring agent ^{*1}	SMBC Nikko Securities Inc.

^{*1} This party supports the execution of sustainability finance by creating the financing framework and providing advice about related matters, such as obtaining second-party opinions.

Reporting of allocation of funds

Amount raised^{*2}

¥9,949 million

Amount allocated^{*3}

¥7,900 million

Balance to be allocated^{*4}

¥2,049 million

Impact reporting

Green project	<p>Qualifying category: Green building</p> <p>Acquired 5-star ranking under the DBJ Green Building certification system.</p>
Social project	<p>Qualifying category: Improvement of access to essential services</p> <p>There are plans to install the following facilities.</p> <ul style="list-style-type: none"> ● Multi-purpose toilets ● Parking places for people in wheelchairs ● Viewing spaces for people in wheelchairs ● Viewing spaces for people with guide dogs ● Slopes ● Escalators by the large staircase on the third-base side ● Storage areas containing emergency food supplies and free toys for children ● Multilanguage signage in city parks

The compliance of this reporting with the Sustainability Finance Framework has been reviewed by Sustainalytics. (https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/nh-foods-ltd.-sustainability-bond-annual-review.pdf?sfvrsn=108a03b0_1)