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To whom it may concern

Company Name: XEBIO HOLDINGS CO., LTD.

Representative: Tomoyoshi Morohashi, President and Representative Director

Securities Code: 8281; Tokyo Stock Exchange Prime Market

Contact: Kazuhiko Nakamura, CFO

(Tel: +81-3-6870-6008)

**Notice Concerning Recognition of Extraordinary Losses Related to Business Structural Reform
in FY2024 Consolidated financial Results, and Revision of Earnings and Dividend Forecast (Increase)**

XEBIO HOLDINGS CO., LTD. (the “Company”) hereby announces that, at the meeting of the Board of Directors held today, it resolved to implement a business structural reform to be completed by the end of the fiscal year ending March 2026. This decision was made in response to the rapidly changing environment and market trends, and with the aim of achieving a Return on Equity (ROE) of 6% for the fiscal year ending March 2027, and further enhancing corporate value and improving financial soundness beyond that point.

In line with this decision, the Company has recorded structural reform-related expenses as an extraordinary loss in the consolidated financial results for the fiscal year ending March 2025.

As a result, the Company hereby announces the revision of its full-year consolidated earnings forecast for the fiscal year ending March 2025, as outlined below, along with an upward revision to the year-end dividend forecast.

1. Focus on Core Businesses

In response to medium- to long-term changes in the market environment and demographics, as well as the diversification of market needs, the Company will accelerate the restructuring and standardization of business formats within our Group. At the same time, we will further advance our "Only One Strategy" in the sporting goods retail business through strengthened collaboration with distinctive specialty sports stores, enhanced Group-wide unified procurement and management systems, and expanded market share both domestically and internationally.

In particular, we will centralize the Group-wide procurement function within our Group’s joint purchasing subsidiary. This initiative aims to optimize procurement costs and improve inventory turnover, facilitating a shift to a new business model that enables rapid and flexible product development. Through these efforts, we intend to strengthen the Group’s overall competitiveness and drive integrated improvements in both profitability and customer satisfaction.

Meanwhile, we will accelerate the closure of unprofitable stores and businesses, while also pursuing improved investment efficiency in response to rising labor and construction costs, and intensifying initiatives to reduce operating costs.

2. Integration of Peripheral Businesses and Functional Subsidiaries

To strengthen businesses adjacent to our core business—such as app development and digital media—and to enhance the capabilities of the Group’s functional subsidiaries, we will conduct organizational restructuring to consolidate operations and

standardize processes within the Group. In the peripheral businesses, we will reassess and monetize assets appropriately in response to changes in the business environment.

These initiatives aim to enhance business value by reducing costs, improving profitability stability, and increasing capital efficiency across the Group.

3. Governance Reform and Human Resource Investment

We will expand recruitment of external professionals and strengthen investment in human capital development to improve return on invested capital (ROIC) and enhance performance management by promoting optimization across the entire Group. Additionally, we will reinforce governance over the Group’s investment and financing decisions by conducting rigorous asset evaluations that reflect changes in the business environment and by enforcing common Group-wide rules.

As our business becomes more diversified, we will further strengthen compliance systems, including adherence to legal requirements, and deepen our commitment to talent development.

4. Enhanced Shareholder Returns

The Group regards shareholder returns as one of its key management priorities. In parallel with expanding our business base and enhancing corporate value, we are committed to increasing earnings per share, ensuring stable and sustainable dividends, and executing a flexible share repurchase program.

As the treasury share repurchase program announced on May 21, 2024 (up to 3 million shares, scheduled through May 9, 2025) nears completion, and in light of our fundamental earnings power and financial condition excluding one-time restructuring costs, we have decided to increase the year-end dividend for the current fiscal year by ¥2.5 to ¥17.5 per share. Including the interim dividend of ¥15.0 already paid, the annual dividend will total ¥32.5 per share, representing an increase of ¥2.5 from the previous fiscal year.

Furthermore, in line with a management approach mindful of capital cost and share price, and based on trends in recurring profit that reflect our underlying earning power, we will enhance shareholder returns through dividend increases and continued share repurchases.

Accordingly, the year-end dividend for the fiscal year ending March 2025 will be increased as follows:

	Revised Year-End Dividend Forecast:				
	1 st quarter-end	2 nd quarter-end	3 rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Previous Forecast (announced May 10, 2024)	—	15.00	—	15.00	30.00
Revised Forecast	—	15.00	—	17.50	32.50
Actual	—	15.00	—		
Previous FY Actual (FY ended March 2024)	—	15.00	—	15.00	30.00

5. Recognition of Extraordinary Losses

In connection with the above-mentioned business structural reform, the Company has recognized an impairment loss of ¥1.62 billion in the fiscal year ending March 2025 associated with fixed assets (book value: ¥2.15 billion) of the multi-purpose arena “FLAT HACHINOHE” located in Hachinohe City, Aomori Prefecture.

The Company has invested ¥760 million (combined preferred and subordinated capital) in a silent partnership with the special purpose company (SPC) that owns the assets, and its subsidiary manages the facility's operations.

FLAT HACHINOHE was completed in March 2020, coinciding with the onset of the COVID-19 pandemic, which led to a slow initial ramp-up in operations. More recently, uneven flooring issues have further contributed to lower-than-expected utilization.

The SPC plans to implement temporary renovations to address these issues in preparation for the National Sports Festival scheduled for January 2026, which is expected to improve facility conditions.

However, since the investment had been premised on a five-year preparatory period ending in March 2025, the identification of impairment indicators and the estimation that undiscounted future cash flows would fall below the book value of the assets led the Company to recognize and measure an impairment loss.

The recoverable amount was determined based on value in use, using discounted future cash flows derived from an external assessment of the project’s viability. The discount rate reflected the expected return and risks specific to the business.

The Company revised its estimates for restoration costs under real estate lease agreements following the receipt of new information, including planned store closures. The revised estimates were added to the previously recorded balance of asset retirement obligations. In accordance with the “Accounting Standard for Impairment of Fixed Assets,” and due to a decline in profitability, the Company also recorded impairment losses of ¥1.83 billion on fixed assets, including those associated with the revised estimates. Furthermore, the Company recorded valuation losses of ¥0.5 billion on investment securities (already recorded in the second quarter financial results for FY2024, announced on November 8, 2024) and ¥0.34 billion in business restructuring-related costs. Including these items, the Company recorded a total of ¥5.0 billion in extraordinary losses related to business structural reform.

6. Revision of Earnings Forecast

The differences between the previously announced consolidated earnings forecast for the fiscal year ending March 2025 and the current outlook are as follows:

(1) Revision to Consolidated Earnings Forecast (Period: April 1, 2024 – March 31, 2025)

	Net Sales	Operating Profit	Ordinary Profit	Net Income Attributable to Owners of the Parent	Basic Earnings per Share
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Yen
Previous Forecast (A)	250,958	6,002	6,284	3,002	67.90
Revised Forecast (B)	250,603	7,001	7,621	971	23.34
Change (B - A)	△355	+999	+1,337	△2,031	—
Change (%)	△0.1%	+16.6%	+21.2%	△67.6%	—

Reference: FY2024 Actual Results	242,433	4,204	5,405	2,592	58.62
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(2) Reason for the Revision

Upon initiating a business structural reform, the Company incurred certain one-time increases in selling, general and administrative (SG&A) expenses. However, both operating profit and ordinary profit have exceeded initial projections.

That said, as noted above, the recognition of extraordinary losses has resulted in net income attributable to owners of the parent falling significantly below the previously forecasted figure.

Meanwhile, restructuring-related costs expected to arise in the next fiscal year are currently under review. Once finalized, they will be reflected in financial forecasts and disclosed accordingly.

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.