January 30, 2026

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Notice of Recording Impairment losses, Inventory Valuation Loss, Reversal of Deferred Tax Assets, Deferred Tax Liabilities, and Revisions to Consolidated Full-year Earnings Forecast for FY2025

Tsubaki Nakashima ("the Company") hereby announces that it expects to record impairment losses, inventory valuation loss, reversal of deferred tax assets, deferred tax liabilities for the fiscal year ended December 31, 2025. Accordingly, the Company has revised its consolidated full-year earnings forecast for the fiscal year ended December 31, 2025, which was announced on February 17, 2025.

1. Impairment losses

The Company tested for impairment in accordance with International Financial Reporting Standards (IFRS), and due to the challenging business environment in Europe since last year, coupled with changes in the competitive landscape for the ceramics business, the recoverability of previously recognized goodwill has been reassessed. Consequently, it expects to record impairment loss of approximately 16.7 billion yen (14.9 billion yen of goodwill impairment and 1.8 billion yen of fixed cost impairment of European and Ceramic businesses).

Europe remains a key region for the Company's business operations and the Company will continue to proactively implement structural reforms and strategic shifts in response to changes in the business environment. For ceramic business, while the electric vehicle (EV) market has not expanded at the anticipated pace, and competitive environment is severe, the Company continues to position this business as a growth area, and it aims to regain momentum through launching new products and developing new markets.

2. Inventory valuation loss

As part of the group's structural reforms, the Company has been working to establish the SIOP* process, a cornerstone of its Mid-term Business Plan. Through these efforts, the Company has conducted company-wide inventory audits and reviews of our management systems. As a result, due to changes in the competitive environment mainly at its two plants in the United States and in its ceramic business, it expects to record inventory valuation loss of approximately 6.4 billion yen, primarily on inventory that has no potential for sale and is expected to be disposed of.

*SIOP＝Sales, Inventory, and Operation plan

3. Reversal of deferred tax assets

As a result of reviewing the group's business plan in response to changes in the business environment at its U.S. subsidiary, the deferred tax assets will be reversed, and an income tax expense of approximately 2.9 billion yen is expected to be recorded.

4. Deferred tax liabilities

Due to a review of the dividend policy from subsidiaries in response to changes in the business environment and capital needs within the group, deferred tax liabilities and income tax expense of approximately 1.5 billion yen is expected to be recorded.

5. Revisions to earnings forecast

(1) Revisions to consolidated full-year earnings forecast for FY2025 (January 1 to December 31, 2025）

	Sales	Operating profit	Profit before tax	Net profit for the period attributable to owners of the parent	Basic earnings per share
	Million Yen	Million Yen	Million Yen	Million Yen	Yen
Previous forecast (A)	71,500	1,000	(600)	(800)	(20.10)
Revised forecast (B)	69,800	(22,200)	(23,900)	(28,400)	(733.43)
Change (B-A)	(1,700)	(23,200)	(23,300)	(27,600)	(713.33)
Change (%)	(2.4) %	-	-	-	-
(Reference) Previous year results (FY2024)	75,921	814	1,714	912	22.91

Note: The manufacturing and sales business of ball screws and ball ways has been classified as a discontinued operation since Q1 of FY2024. As a result, revenue, operating profit, and profit before tax are presented as amounts excluding discontinued operations, while net profit and net profit attributable to owners of the parent are presented as the total of both continuing and discontinued operations.

(2) Reason for the revision

The Company’s consolidated full-year earnings forecast for FY2025 are expected to fall significantly short of its previous forecast due to the factors described in 1 to 4. The Company disclosed the approximate values as they may fluctuate depending on the compilation of the consolidated financial statements and the final confirmation by the auditing firm.

The Company plans to disclose its consolidated full-year earnings results for FY2025 on February 13, 2026.