



**Summary of Consolidated Financial Results for the First Quarter  
of the Fiscal Year Ending July 31, 2018  
(Three Months Ended October 31, 2017)**

[Japanese GAAP]

December 14, 2017

Company name: Crossfor Co., Ltd.  
Stock code: 7810  
Representative: Hidetaka Dobashi, President  
Contact: Tsuyoshi Yamaguchi, CFO  
Tel: +81-(0)57-008-9640

Listing: Tokyo Stock Exchange (JASDAQ)  
URL: <https://crossfor.co.jp/>

Scheduled date of filing Quarterly Report: December 14, 2017  
Scheduled date of dividend payment: -  
Preparation of supplementary materials for quarterly financial results: None  
Holding of quarterly financial results meeting: None

*(All amounts are rounded down to the nearest million yen.)*

**1. Consolidated Financial Results for the First Quarter of the Fiscal Year Ending July 31, 2018  
(August 1, 2017 to October 31, 2017)**

(1) Consolidated results of operations (Percentages represent year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended Oct. 31, 2017	1,055	-	(42)	-	(37)	-	(34)	-
Three months ended Oct. 31, 2016	-	-	-	-	-	-	-	-

Note: Comprehensive income (millions of yen) Three months ended Oct. 31, 2017: (33) (-%)  
Three months ended Oct. 31, 2016: - (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Oct. 31, 2017	(4.16)	-
Three months ended Oct. 31, 2016	-	-

Notes: 1. The results of operations and year-on-year changes for the three months ended October 31, 2016 are not presented because the quarterly consolidated financial statements were not prepared in the same period of the previous fiscal year.  
2. Diluted net income per share for the three months ended October 31, 2017 is not presented because net loss was posted although there were outstanding dilutive shares.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of Oct. 31, 2017	5,142	2,508	48.8
As of Jul. 31, 2017	5,498	2,667	48.5

Reference: Shareholders' equity (millions of yen) As of Oct. 31, 2017: 2,508 As of Jul. 31, 2017: 2,667

**2. Dividends**

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Jul. 31, 2017	-	0.00	-	15.00	15.00
Fiscal year ending Jul. 31, 2018	-	-	-	-	-
Fiscal year ending Jul. 31, 2018 (forecast)	-	0.00	-	14.40	14.40

Note: Revisions to the most recently announced dividend forecast: None

**3. Consolidated Earnings Forecast for the Fiscal Year Ending July 31, 2018 (August 1, 2017 to July 31, 2018)**

(Percentages represent year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	2,540	-	363	-	357	-	262	-	31.57
Full year	4,723	12.2	843	3.3	831	4.8	599	12.7	71.98

Note: Revisions to the most recently announced earnings forecast: None

**\* Notes**

(1) Significant changes in subsidiaries during the period: None

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: None

(3) Changes in accounting policies and accounting estimates, and restatements

1) Changes in accounting policies due to revisions in accounting standards, others: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting estimates: None

4) Restatements: None

(4) Number of shares issued (common shares)

1) Number of shares issued as of the end of the period (including treasury shares)

As of Oct. 31, 2017:	8,729,000 shares	As of Jul. 31, 2017:	8,729,000 shares
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2) Number of treasury shares as of the end of the period

As of Oct. 31, 2017:	399,000 shares	As of Jul. 31, 2017:	399,000 shares
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3) Average number of shares during the period

Three months ended Oct. 31, 2017:	8,330,000 shares	Three months ended Oct. 31, 2016:	- shares
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Note: As Crossfor Co., Ltd. (the "Company") started disclosing its financial results for the first quarter from the fiscal year ending July 31, 2018, the average number of shares outstanding for the three months ended October 31, 2016 is not presented.

\* The current quarterly summary report is not subject to the quarterly review procedures.

\* Explanation of appropriate use of earnings forecasts and other special items

Cautionary statement with respect to forecasts

Forecasts of future performance in these materials are based on assumptions judged to be valid and information available to the Company's management at the time these materials were prepared, but are not promised by the Company regarding future performance. Actual results may differ significantly from these forecasts for a number of reasons.

Contents of Attachments

1. Qualitative Information on Quarterly Consolidated Financial Performance	2
(1) Explanation of Results of Operations	2
(2) Explanation of Financial Position	2
(3) Explanation of Consolidated Earnings Forecast and Other Forward-looking Statements	3
2. Quarterly Consolidated Financial Statements and Notes	4
(1) Quarterly Consolidated Balance Sheet	4
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	6
(3) Notes to Quarterly Consolidated Financial Statements	8
Going Concern Assumption	8
Significant Changes in Shareholders' Equity	8
Segment and Other Information	8
Material Subsequent Events	8

## 1. Qualitative Information on Quarterly Consolidated Financial Performance

Since no consolidated financial statement was prepared for the first quarter of the fiscal year ended July 31, 2017, the Company does not present year-on-year comparative analysis for the first quarter of the fiscal year ending July 31, 2018.

### (1) Explanation of Results of Operations

The Japanese economy sustained a gradual recovery trend during the first quarter due to improvements in corporate earnings and employment conditions while personal consumption slowly picked up.

Overseas, the U.S. and eurozone economies maintained a steady recovery pace. However, uncertainty remains over the economic outlook and policies of China and other emerging Asian countries, and China has entered a deceleration phase from problems including overproduction and heating of the real estate market.

Meanwhile, the environment surrounding the jewelry industry remains severe with no improvement in consumer sentiment amid the uncertain economic outlook.

Against this backdrop, Crossfor Group (the "Group") is developing around the key axis of "Dancing Stone," and during the first quarter we ran advertisements through the media of TV commercials and magazines to raise brand awareness in the domestic market. We also strengthened OEM\* and regularly launched new designs on the market.

Overseas, Crossfor HK Limited became the main actor, focusing on acquiring new license contracts through exhibition-based sales activities and following up existing contractors. In the Chinese market, Crossfor (Shenzhen) Co., Ltd., which started operations in the previous fiscal year, developed through exhibiting at jewelry exhibitions in Shanghai and in other ways.

While domestic sales performed well, overseas orders, mainly in China, fell below the initial forecast. As a result of the above, the Group's operating results during the first quarter recorded sales of 1,055 million yen.

Regarding profit and loss, advertising expenses increased due to running a major TV commercial in the first quarter as a strategy to expand demand for Christmas sales, leading to an operating loss of 42 million yen, ordinary loss of 37 million yen, and a loss attributable to owners of parent of 34 million yen.

As the Group's business segments are a single segment of the jewelry business, descriptions for individual segments are omitted.

\* Abbreviation for Original Equipment Manufacturing (Manufacturer), producing products with business partner brands

### (2) Explanation of Financial Position

#### Assets

Total assets decreased 356 million yen from the end of the previous fiscal year to 5,142 million yen as of the end of the first quarter. The main factors were decreases of 484 million yen in cash and deposits and 91 million yen in consumption taxes receivable included in other under current assets, while there were increases of 83 million yen in notes and accounts receivable-trade and 68 million yen in finished goods.

#### Liabilities

Total liabilities decreased 197 million yen from the end of the previous fiscal year to 2,633 million yen as of the end of the first quarter. The main factors were decreases of 109 million yen in short-term loans payable and 130 million yen in income taxes payable.

#### Net assets

Total net assets decreased 158 million yen from the end of the previous fiscal year to 2,508 million yen as of the end of the first quarter. The main factors were decreases of 124 million yen in dividends of surplus and 159 million yen in retained earnings resulting from a loss attributable to owners of parent of 34 million yen.

**(3) Explanation of Consolidated Earnings Forecast and Other Forward-looking Statements**

There is no revision to the first-half and full-year consolidated earnings forecasts presented in Summary of Consolidated Financial Results for the Fiscal Year Ended July 31, 2017 (Japanese version only), which was announced on September 12, 2017.

**2. Quarterly Consolidated Financial Statements and Notes****(1) Quarterly Consolidated Balance Sheet**

(Thousands of yen)

	FY7/17 (As of Jul. 31, 2017)	First quarter of FY7/18 (As of Oct. 31, 2017)
Assets		
Current assets		
Cash and deposits	1,646,641	1,162,142
Notes and accounts receivable-trade	496,025	579,623
Finished goods	996,999	1,065,777
Work in process	55,828	76,324
Raw materials and supplies	362,594	405,972
Other	201,509	131,895
Allowance for doubtful accounts	(3,063)	(3,478)
Total current assets	3,756,534	3,418,257
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,111,836	1,101,686
Other, net	394,578	381,400
Total property, plant and equipment	1,506,414	1,483,087
Intangible assets	117,767	111,675
Investments and other assets		
Other	125,496	136,899
Allowance for doubtful accounts	(7,789)	(7,626)
Total investments and other assets	117,707	129,272
Total non-current assets	1,741,889	1,724,036
Total assets	5,498,424	5,142,293

	(Thousands of yen)	
	FY7/17 (As of Jul. 31, 2017)	First quarter of FY7/18 (As of Oct. 31, 2017)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	223,540	248,159
Short-term loans payable	259,074	150,006
Current portion of long-term loans payable	449,884	445,044
Income taxes payable	139,588	9,420
Provision for bonuses	-	11,400
Other	177,880	295,704
<b>Total current liabilities</b>	<b>1,249,967</b>	<b>1,159,734</b>
<b>Non-current liabilities</b>		
Long-term loans payable	1,578,780	1,470,279
Other	2,619	3,441
<b>Total non-current liabilities</b>	<b>1,581,399</b>	<b>1,473,720</b>
<b>Total liabilities</b>	<b>2,831,366</b>	<b>2,633,455</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	681,640	681,640
Capital surplus	775,306	775,306
Retained earnings	1,235,553	1,075,982
Treasury shares	(20,349)	(20,349)
<b>Total shareholders' equity</b>	<b>2,672,151</b>	<b>2,512,580</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	5	18
Foreign currency translation adjustment	(5,100)	(3,760)
<b>Total accumulated other comprehensive income</b>	<b>(5,094)</b>	<b>(3,742)</b>
<b>Total net assets</b>	<b>2,667,057</b>	<b>2,508,838</b>
<b>Total liabilities and net assets</b>	<b>5,498,424</b>	<b>5,142,293</b>

**(2) Quarterly Consolidated Statements of Income and Comprehensive Income****Quarterly Consolidated Statement of Income****(For the Three-month Period)**

	(Thousands of yen)
	First three months of FY7/18 (Aug. 1, 2017 – Oct. 31, 2017)
Net sales	1,055,028
Cost of sales	601,277
Gross profit	453,750
Selling, general and administrative expenses	496,260
Operating loss	(42,510)
Non-operating income	
Foreign exchange gains	9,444
Other	1,220
Total non-operating income	10,665
Non-operating expenses	
Interest expenses	3,013
Issuance cost of subscription rights to shares	1,400
Other	1,103
Total non-operating expenses	5,517
Ordinary loss	(37,362)
Extraordinary losses	
Loss on retirement of non-current assets	100
Total extraordinary losses	100
Loss before income taxes	(37,462)
Income taxes-current	816
Income taxes-deferred	(3,657)
Total income taxes	(2,841)
Loss	(34,621)
Loss attributable to owners of parent	(34,621)

**Quarterly Consolidated Statement of Comprehensive Income****(For the Three-month Period)**

	(Thousands of yen)
	First three months of FY7/18 (Aug. 1, 2017 – Oct. 31, 2017)
Loss	(34,621)
Other comprehensive income	
Valuation difference on available-for-sale securities	12
Foreign currency translation adjustment	1,339
Total other comprehensive income	1,352
Comprehensive income	(33,269)
Comprehensive income attributable to:	
Owners of parent	(33,269)
Non-controlling interests	-

**(3) Notes to Quarterly Consolidated Financial Statements****Going Concern Assumption**

Not applicable.

**Significant Changes in Shareholders' Equity**

Not applicable.

**Segment and Other Information**

As the Group's business segments are a single segment of the jewelry business, segment information is omitted.

**Material Subsequent Events**

Issuance of stock options (subscription rights to shares)

At the meeting of its Board of Directors held on October 27, 2017, the Company resolved the issuance of subscription rights to shares as stock options to directors of the Company and its subsidiaries and employees of the Company (the "Subscription Rights to Shares") pursuant to Articles 236, 238 and 239 of the Companies Act. The allotment of the Subscription Rights to Shares were completed on November 9, 2017, as follows.

- |   |   |
|---|---|
| 1) Number of the Subscription Rights to Shares:   | 800   |
| 2) Number of shares to be acquired upon exercise of the Subscription Rights to Shares:        | 80,000  |
| 3) Class of shares to be acquired upon exercise of the Subscription Rights to Shares:         | Common stock  |
| 4) Amount to be paid upon issuance of the Subscription Rights to Shares:                      | No monetary payment is required for the Subscription Rights to Shares   |
| 5) Values of assets to be contributed upon the exercise of the Subscription Rights to Shares: | <p>Values of assets to be contributed upon the exercise of the Subscription Rights to Shares per unit shall be the amount calculated by multiplying the amount to be paid per share granted upon the exercise of the Subscription Rights to Shares (the "exercise price") by the number of shares granted.</p> <p>The exercise price shall be 1,351 yen per share.</p> <p>However, in the event of any of the following i, ii or iii, the value of the assets shall be the amount calculated by multiplying adjusted exercise price determined using the respective formula by the number of shares to be acquired upon exercise of each of Subscription Rights to Shares. Fractions less than one (1) yen of the adjusted exercise price are to be rounded up.</p> <p>i. If the Company conducts a stock split or consolidation</p> $\text{Adjusted exercise price} = \frac{\text{Exercise price before adjustment}}{\text{Ratio of stock split/consolidation}}$ <p>ii. If the Company issues shares to be offered or disposes of treasury shares at a price below market price (including issuance of shares and delivery of treasury shares by the gratis allotment of shares), and excluding the cases of exercising the Subscription Rights to Shares (including bonds with Subscription Rights to Shares) and converting securities that are convertible to the Company's common stock.</p> |

$$\text{Adjusted exercise price} = \frac{\text{Exercise price before adjustment} \times \left( \frac{\text{Number of issued shares} + \frac{\text{Number of new shares to be issued}}{\text{Share price before issuance of shares to be offered}}}{\text{Number of issued shares} + \text{Number of new shares to be issued}} \right)}{\text{Number of issued shares} + \text{Number of new shares to be issued}}$$

The number of issued shares in the formula above shall be the number of shares calculated by deducting the number of treasury shares held by the Company from the total number of outstanding shares at the date before the effective date of abovementioned share issuance. When disposing of treasury shares, the number of new shares to be issued shall be replaced by the number of treasury shares to be disposed of and the share price before issuance of shares to be offered shall be replaced by the share price before disposal of treasury shares. Share price before issuance of shares to be offered in the formula above shall be the exercise price before adjustment if there is no market price for the Company's shares. If there is a market price, share price before issuance of shares to be offered shall be the last transaction price at the prioritized market of the Company.

iii. In the event of an absorption-type merger in which the Company is the surviving company, an absorption-type split in which the Company becomes a succeeding company, an exchange of stock in which the Company becomes a wholly-owning parent, or reasons equivalent to the foregoing, the Company may adjust the exercise price as appropriate to a reasonable extent.

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|--|---|
| 6) Exercise period of the Subscription Rights to Shares:   | From October 28, 2019 to October 27, 2024   |
| 7) Amount to be accounted for as capital stock out of the issue price when shares are issued upon exercise of the Subscription Rights to Shares: | The amount of increase in capital stock as a result of the issuance of shares upon the exercise of the Subscription Rights to Shares shall be the maximum amount of increase in capital, etc. to be calculated in accordance with Article 17, Paragraph 1 of the Corporate Accounting Rules multiplied by 0.5. Fraction less than one (1) yen resulting from the calculation shall be rounded up.   |
| 8) Conditions for exercising the Subscription Rights to Shares:  | <p>i. At the time of the exercise of the Subscription Rights to Shares, a holder of Subscription Rights to Shares (the "rights holder") must be a director, auditor, employee, advisor or other positions similar thereto within the Company or the Company's subsidiaries; provided, however, that this shall not apply in the case where the holder retires due to the expiration of his/her term of board membership, mandatory retirement or other reasons deemed legitimate.</p> <p>ii. Upon the death of the rights holder, his/her heir shall not be entitled to exercise the Subscription Rights to Shares.</p> |
| 9) Matters pertaining to transfer of the Subscription Rights to Shares:  | The approval of the Board of Directors is required when acquiring the Subscription Rights to Shares through transfer.   |

*This financial report is solely a translation of "Kessan Tanshin" (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.*