



**Summary of Consolidated Financial Results for the First Quarter
of the Fiscal Year Ending July 31, 2021
(Three Months Ended October 31, 2020)**

[Japanese GAAP]

December 15, 2020

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

Scheduled date of filing of Quarterly Report: December 15, 2020
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, 2021
(August 1, 2020 to October 31, 2020)**

(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, 2020	587	(25.8)	(67)	-	(57)	-	(55)	-
Three months ended Oct. 31, 2019	791	(19.5)	47	(53.1)	45	(56.9)	31	(48.9)

Note: Comprehensive income (millions of yen) Three months ended Oct. 31, 2020: (55) (-%)
Three months ended Oct. 31, 2019: 34 (down 44.1%)

	Net income per share		Diluted net income per share	
	Yen		Yen	
Three months ended Oct. 31, 2020	(3.34)		-	
Three months ended Oct. 31, 2019	1.89		1.88	

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio	
	Millions of yen		Millions of yen		%	
As of Oct. 31, 2020	5,205		1,920		36.2	
As of Jul. 31, 2020	5,201		1,976		37.3	

Reference: Shareholders' equity (millions of yen) As of Oct. 31, 2020: 1,884 As of Jul. 31, 2020: 1,940

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Jul. 31, 2020	-	0.00	-	0.00	0.00
Fiscal year ending Jul. 31, 2021	-				
Fiscal year ending Jul. 31, 2021 (forecast)		0.00	-	0.30	0.30

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

3. Consolidated Earnings Forecast for the Fiscal Year Ending July 31, 2021 (August 1, 2020 to July 31, 2021)

(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
Full year	2,790	20.0	68	-	58	-	39	-	2.33

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: Yes

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, 2020:	17,522,000 shares	As of Jul. 31, 2020:	17,522,000 shares
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2) Number of treasury shares as of the end of the period

As of Oct. 31, 2020:	798,081 shares	As of Jul. 31, 2020:	798,081 shares
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3) Average number of shares during the period

Three months ended Oct. 31, 2020:	16,723,919 shares	Three months ended Oct. 31, 2019:	16,723,919 shares
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* The current quarterly summary report is not subject to the quarterly review by certified public accountants or auditing firms.

* 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 management of Crossfor at the time these materials were prepared, but are not promised by Crossfor regarding future performance. Actual results may differ significantly from these forecasts for a number of reasons.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

The COVID-19 crisis severely impacted economic activity in Japan during the first quarter of the fiscal year ending July 31, 2021. Although economic activity resumed in stages following the end of the state of emergency, there are still worries about another wave of infections. As a result, the economic outlook remains unclear. There is also considerable uncertainty about the global economy because the growth of COVID-19 infections makes it impossible to determine an outlook. Furthermore, there are concerns that the negative effects of COVID-19 may continue for a long time.

In Japan's jewelry industry, there has been a slow resumption of business activity, following the end of the state of emergency. However, the business climate remains challenging because consumers are holding back on making purchases.

To increase sales of the Crossfor Group's core Dancing Stone^{*1} products, we had a booth at the autumn Tokyo Fashion Jewellery Expo. In addition, sales activities at shrines and temples nationwide are continuing in order to establish a presence in a new market sector. Another highlight of the first quarter is activities involving VIRUS BLOCK, a new idea for jewelry as people seek ways to protect themselves from COVID-19. VIRUS BLOCK is a technology developed by Crossfor for applying a virus and bacteria resistant coating on jewelry. The goal is to use this innovative technology to revitalize the entire jewelry sector as customers stay away from department stores and other stores because of COVID-19. Progress is continuing with the establishment of automated processes for Dancing Stone and EXL-LOCK^{*2}, while working with the factory in Thailand, in order to sell Crossfor products at lower prices. To cut expenses, we are using RPA^{*3} to streamline numerous tasks in order to reduce overtime and controlling expenses in other ways, including by lowering purchasing expenses.

Despite these activities, sales in Japan were only 421 million yen and sales in other countries were down even more than in Japan to only 165 million yen because of COVID-19.

As a result, first quarter sales were down 25.8% from one year earlier to 587 million yen. Operating loss was 67 million yen (compared with 47 million yen profit one year earlier). Ordinary loss was 57 million yen (compared with 45 million yen profit one year earlier) and there was a loss attributable to owners of parent of 55 million yen (compared with 31 million yen profit one year earlier).

There is no business segment information because the Crossfor Group operates in the single segment of the jewelry business.

*1 Dancing Stone is a patented technology of Crossfor that makes it possible to create a gemstone setting that allows the stone to move with no need to make a hole in the stone.

*2 EXL-LOCK is an attachment for chains and bracelets that has a double-lock structure and can be easily opened and closed with one hand.

*3 Robotic Process Automation is a concept that uses software robots in PCs to automate and perform desk work (mainly tasks using pre-determined processes) that are normally handled by white collar employees.

(2) Explanation of Financial Position

Assets

Total assets increased 3 million yen from the end of the previous fiscal year to 5,205 million yen as of the end of the first quarter. The main reasons were decreases of 166 million yen in raw materials and supplies and 76 million yen in cash and deposits, and increases of 86 million yen in merchandise and finished goods and 200 million yen in notes and accounts receivable-trade.

Liabilities

Total liabilities increased 59 million yen to 3,284 million yen. The main reasons were a decrease of 111 million yen in long-term borrowings (including the current portion) and increases of 107 million yen in notes and accounts payable-trade and 16 million yen in short-term borrowings.

Net assets

Total net assets decreased 55 million yen to 1,920 million yen. The main reason was the 55 million yen loss attributable to owners of parent.

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

We maintain the full-year consolidated earnings forecast that was announced in the Summary of Consolidated Financial Results for the Fiscal Year Ended July 31, 2020 dated September 16, 2020.

Significant Events Involving the Going Concern Assumption

Orders received from department stores and other stores, the primary source of demand for Crossfor products, have been decreasing since the third quarter of the previous fiscal year because of changes in the behavior of consumers caused by COVID-19. Furthermore, the cancelation or postponement of trade shows and sales events in Japan and other countries has severely restricted sales activities. As a result, the business climate has been challenging. For these reasons, Crossfor's sales are down sharply, which has resulted in a situation that could create significant doubts about the going concern assumption.

However, sales have started to recover as expected in the first quarter with sales down 25.8% from the first quarter of the previous fiscal year. At the end of October 2020, our financial position was stable, including cash and deposits of 1,270 million yen. Consequently, the quarterly consolidated financial statements do not include a note concerning doubts about the going concern assumption because we believe there are no significant uncertainties regarding this assumption.

We will continue to take the following actions in order to deal with current difficulties and aim for the growth of sales and a return to profitability.

1. Reduce manufacturing expenses by automating production processes for Crossfor products
2. Strengthen relationships with current customers and add new customers
3. Reduce SG&A and other expenses by implementing suitable cost control measures

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

(Thousands of yen)

	FY7/20 (As of Jul. 31, 2020)	First quarter of FY7/21 (As of Oct. 31, 2020)
Assets		
Current assets		
Cash and deposits	1,347,085	1,270,232
Notes and accounts receivable-trade	180,840	381,020
Merchandise and finished goods	921,925	1,008,835
Work in process	115,972	105,317
Raw materials and supplies	924,203	757,231
Income taxes receivable	28,285	28,288
Other	70,606	56,221
Allowance for doubtful accounts	(397)	(87)
Total current assets	3,588,522	3,607,059
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,014,469	1,004,209
Land	331,094	331,094
Construction in progress	3,374	27,375
Other, net	35,235	38,372
Total property, plant and equipment	1,384,174	1,401,051
Intangible assets	57,918	57,015
Investments and other assets		
Long-term loans receivable	6,560	10,567
Other	259,374	223,628
Allowance for doubtful accounts	(95,297)	(94,305)
Total investments and other assets	170,636	139,889
Total non-current assets	1,612,729	1,597,956
Total assets	5,201,251	5,205,015

	(Thousands of yen)	
	FY7/20 (As of Jul. 31, 2020)	First quarter of FY7/21 (As of Oct. 31, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	45,077	152,843
Short-term borrowings	1,000,400	1,017,200
Current portion of long-term borrowings	478,365	470,206
Income taxes payable	5,351	3,179
Provision for bonuses	-	12,897
Other	47,527	83,176
Total current liabilities	1,576,722	1,739,503
Non-current liabilities		
Long-term borrowings	1,647,213	1,543,950
Other	1,038	1,000
Total non-current liabilities	1,648,251	1,544,950
Total liabilities	3,224,973	3,284,454
Net assets		
Shareholders' equity		
Share capital	683,400	683,400
Capital surplus	777,066	777,066
Retained earnings	504,217	448,415
Treasury shares	(20,378)	(20,378)
Total shareholders' equity	1,944,306	1,888,503
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(36)	(11)
Foreign currency translation adjustment	(3,891)	(3,830)
Total accumulated other comprehensive income	(3,927)	(3,842)
Share acquisition rights	35,899	35,899
Total net assets	1,976,277	1,920,560
Total liabilities and net assets	5,201,251	5,205,015

(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 FY7/20 (Aug. 1, 2019 – Oct. 31, 2019)	First three months of FY7/21 (Aug. 1, 2020 – Oct. 31, 2020)
Net sales	791,554	587,202
Cost of sales	406,590	389,590
Gross profit	384,963	197,611
Selling, general and administrative expenses	337,114	265,139
Operating profit (loss)	47,849	(67,527)
Non-operating income		
Foreign exchange gains	-	1,708
Rental income	1,478	1,211
Subsidy income	585	12,455
Other	373	705
Total non-operating income	2,438	16,080
Non-operating expenses		
Interest expenses	3,067	4,461
Foreign exchange losses	514	-
Commitment fee	765	1,300
Other	628	511
Total non-operating expenses	4,976	6,273
Ordinary profit (loss)	45,311	(57,721)
Extraordinary losses		
Loss on retirement of non-current assets	0	0
Total extraordinary losses	0	0
Profit (loss) before income taxes	45,311	(57,721)
Income taxes-current	12,722	834
Income taxes-deferred	1,052	(2,753)
Total income taxes	13,774	(1,919)
Profit (loss)	31,536	(55,802)
Profit (loss) attributable to owners of parent	31,536	(55,802)

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

(Thousands of yen)

	First three months of FY7/20 (Aug. 1, 2019 – Oct. 31, 2019)	First three months of FY7/21 (Aug. 1, 2020 – Oct. 31, 2020)
Profit (loss)	31,536	(55,802)
Other comprehensive income		
Valuation difference on available-for-sale securities	15	24
Foreign currency translation adjustment	3,230	60
Total other comprehensive income	3,246	85
Comprehensive income	34,782	(55,716)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	34,782	(55,716)
Comprehensive income attributable to non-controlling interests	-	-

(3) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Changes in Accounting Policies

In the previous fiscal year, Crossfor used the reversal method for the reversal that was recorded due to the reduction in the book value of inventories. Beginning with the first quarter of the current fiscal year, Crossfor is using instead the lower of cost or market method.

This change is the result of a reexamination of the best method for determining the value of inventories from the standpoint of ensuring proper valuations with regard to changes in market conditions, the current level of inventories and other factors. The change was made in association with a reexamination of the IT system used for inventory management.

Calculating the cumulative effective of this change for prior years is not possible because of the inability to determine prior financial statement figures by using the lower of cost or market method. Consequently, the book value of inventories at the end of the previous fiscal year is used as the value of inventories at the beginning of the current fiscal year.

Compared with the previous inventory valuation method, this new method reduced merchandise and finished goods by 2,888 thousand yen and raw materials and supplies by 5,230 thousand yen as of the end of the first quarter. In addition, this change caused the first quarter operating loss, ordinary loss and loss attributable to owners of parent to increase by 8,118 thousand yen each.

Furthermore, net assets per share decreased 0.49 yen and the net loss per share increased 0.49 yen in the first quarter.

Additional Information

Impact of the spread of the COVID-19 pandemic on accounting estimates

There are no significant changes in the assumptions for the effect of the COVID-19 pandemic that are explained in "Supplementary Information" in the Securities Report for the fiscal year that ended in July 2020.

Segment and Other Information

There is no business segment information because the Crossfor Group operates in the single segment of the jewelry business.

Material Subsequent Events

Issuance of new shares for restricted stock compensation

The Crossfor Board of Directors approved a resolution on November 18, 2020 for the issuance of new shares for use as restricted stock compensation. The payment procedure for these shares were completed on December 4, 2020.

1. Purposes and reasons for the issuance of new shares

On September 16, 2020, the Crossfor Board of Directors approved a resolution to establish a restricted stock compensation program for directors other than outside directors. One reason for this new form of compensation is to give directors exposure the benefits and risks associated with stock price movements just as for all shareholders. Another reason is to reinforce the motivation of directors to contribute to increasing the stock price and corporate value. At the shareholders meeting held on October 23, 2020, shareholders approved a resolution associated with this new compensation program that includes the following items: (a) the issuance of new shares of Crossfor common stock or disposal of existing shares for the allocation of restricted stock for this compensation program with an annual monetary limit of 30,000 thousand yen for monetary compensation claims and an annual limit of 100,000 shares; and (b) a mandatory holding period that begins on the day the restricted stock is allocated and ends immediately after a director leaves a post designated in advance by the Board of Directors.

2. Summary of the issuance of new shares

(1) Payment date

December 4, 2020

(2) Type and number of shares

Crossfor common stock: 81,500 shares

(3) Issue price

288 yen per share

(4) Total issue price

23,472,000 yen

(5) Method of offering or allotment

Allotment of restricted stock

(6) Method of payment

In-kind contribution of monetary compensation claims

(7) Recipients of restricted stock and number of shares to be allotted

Four directors of Crossfor (except outside directors): 81,500 shares

(8) Mandatory holding period

December 4, 2020 to December 3, 2050

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.