



**Summary of Consolidated Financial Results for the Second Quarter
of the Fiscal Year Ending July 31, 2021
(Six Months Ended January 31, 2020)**

[Japanese GAAP]

March 16, 2021

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

Scheduled date of filing of Quarterly Report: March 16, 2021

Scheduled date of dividend payment: -

Preparation of supplementary materials for quarterly financial results: None

Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)

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

**1. Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending July 31, 2021
(August 1, 2020 to January 31, 2021)**

(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	%
Six months ended Jan. 31, 2021	1,240	(20.8)	(172)	-	(167)	-	(173)	-
Six months ended Jan. 31, 2020	1,566	(16.7)	56	(60.7)	52	(59.1)	51	(23.7)

Note: Comprehensive income (millions of yen) Six months ended Jan. 31, 2021: (172) (-%)
Six months ended Jan. 31, 2020: 52 (down 23.3%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Jan. 31, 2021	(10.34)	-
Six months ended Jan. 31, 2020	3.11	3.09

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of Jan. 31, 2021	4,773	1,826	37.5
As of Jul. 31, 2020	5,201	1,976	37.3

Reference: Shareholders' equity (millions of yen) As of Jan. 31, 2021: 1,791 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	-	0.00			
Fiscal year ending Jul. 31, 2021 (forecast)			-	0.00	0.00

Note: Revisions to the most recently announced dividend forecast: Yes

Regarding revisions to the dividend forecast, please refer to the press release titled "Notice of Revisions to Full-year Forecasts and Year-end Dividend Forecast for the Fiscal Year Ending July 31, 2021 and Partial Reduction in Compensation of Executives" (Japanese version only) dated March 16, 2021.

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	2,511	8.0	(155)	-	(159)	-	(168)	-	(10.01)

Note: Revisions to the most recently announced earnings forecast: Yes

Regarding revisions to the earnings forecast, please refer to the press release titled "Notice of Revisions to Full-year Forecasts and Year-end Dividend Forecast for the Fiscal Year Ending July 31, 2021 and Partial Reduction in Compensation of Executives" (Japanese version only) dated March 16, 2021.

* 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 Jan. 31, 2021:	17,603,500 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 Jan. 31, 2021:	798,081 shares	As of Jul. 31, 2020:	798,081 shares
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3) Average number of shares during the period

Six months ended Jan. 31, 2021:	16,750,052 shares	Six months ended Jan. 31, 2020:	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.

How to view supplementary information at the financial results meeting

Crossfor plans to hold a financial results meeting for institutional investors and analysts. Materials to be distributed at this meeting will be available on Crossfor's website immediately thereafter.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

There was a clear division between winners and losers among Japanese companies due to the COVID-19 pandemic during the first half of the fiscal year ending July 31, 2021. The outlook remains unclear because of the inability at this time to predict when this crisis will end. Globally, an economic recovery has started following a steep downturn and some countries have started COVID-19 vaccinations. However, the outlook for the economy is expected to continue to be uncertain because of concerns about the possibility of another wave of infections.

In Japan's jewelry industry, the interest of consumers in jewelry has declined and a general mood of holding back on making purchases has prevailed for some time. As competition among companies intensifies, the business climate makes it difficult to earn profits.

Sales in the fiscal year's first half recovered somewhat in part because of sales during the Christmas and New Year holiday period. However, prices were discounted to reflect market conditions and overseas sales, which have a high profit margin, continued to be sluggish. The result was a big decline in the gross profit margin. To improve our performance, we conducted an exhaustive reexamination of sales activities in Japan and other countries. To enter market sectors that take us beyond our existing business activities, we continued to make progress with measures to increase sales in new product categories. The primary categories are the VIRUS BLOCK virus and bacteria-resistant jewelry coating, amulets for sale at shrines and temples, and new types of products that utilize Dancing Stone*¹. In a step to perform sales activities backed by new ideas and proposals, we started the Dancing Stone 10th Campaign and created a variety of new products and implemented sales promotion programs through tie-ups with retailers and other business partners. Activities began in the second quarter with a Dancing Stone SNS promotion campaign at stores and products created by collaboration with a popular Japanese illustrator. All of these measures are aimed at attracting more customers and increasing sales. To expand sales channels in India and other countries, we are increasing the number of sales agents. In Thailand, we are working with a partner factory to build an automated production system capable of mass production of Dancing Stone and EXL-LOCK*² products. The goal is to use this production to take back sales in China that we have lost to counterfeit products. The Crossfor Group is firmly committed to enacting reforms for increasing corporate value and rebuilding a sound profit structure.

Despite these activities, sales in Japan were only 933 million yen due to a downturn in consumer sentiment caused by COVID-19 and sales in other countries were only 306 million yen because of global COVID-19 travel restrictions.

As a result, first half sales were down 20.8% from one year earlier to 1,240 million yen. The operating loss was 172 million yen (compared with a 56 million yen profit one year earlier) due to sluggish overseas sales, which have a high profit margin. The ordinary loss was 167 million yen (compared with a 52 million yen profit one year earlier) and there was a loss attributable to owners of parent of 173 million yen (compared with a 51 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.

(2) Explanation of Financial Position

1) Balance sheet position

Assets

Total assets decreased 427 million yen from the end of the previous fiscal year to 4,773 million yen as of the end of the second quarter. The main reasons were decreases of 161 million yen in raw materials and supplies and 422

million yen in cash and deposits, and an increase of 204 million yen in notes and accounts receivable-trade.

Liabilities

Total liabilities decreased 277 million yen to 2,947 million yen. The main reasons were a decrease of 240 million yen in long-term borrowings (including the current portion).

Net assets

Total net assets decreased 149 million yen to 1,826 million yen. The main reason was the 173 million yen loss attributable to owners of parent.

2) Cash flows

Cash and cash equivalents at the end of the second quarter decreased 423 million yen from the end of the previous fiscal year to 918 million yen. Cash flows and the main reasons for changes are as follows.

Net cash provided by operating activities totaled 31 million yen, compared with net cash provided of 304 million yen in the same period of the previous fiscal year. A decrease in inventories of 148 million yen, depreciation of 47 million yen, and an increase in trade payables of 45 million yen were the main source of cash, while there was a loss before income taxes of 170 million yen.

Net cash used in investing activities totaled 73 million yen, compared with 53 million yen used in the same period of the previous fiscal year. Main uses of cash include purchase of property, plant and equipment of 65 million yen.

Net cash used in financing activities totaled 380 million yen, compared with 27 million yen used in the same period of the previous fiscal year. Main uses of cash include net decrease in short-term borrowings of 140 million yen and repayments of long-term borrowings of 240 million yen.

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

Crossfor has revised its consolidated forecasts for the fiscal year ending July 31, 2021 that were announced on September 16, 2020 in “Summary of Consolidated Financial Results for the Fiscal Year Ended July 31, 2020.” For more information, please refer to the press release titled “Notice of Revisions to Full-year Forecasts and Year-end Dividend Forecast for the Fiscal Year Ending July 31, 2021 (No Dividend) and Partial Reduction in Compensation of Executives” (Japanese version only) dated March 16, 2021.

Significant Events Involving the Going Concern Assumption

Since the third quarter of the previous fiscal year, orders have been down because of a steep decline in the number of customers and sales, caused by COVID-19 at department stores and shopping centers where stores that sell Crossfor products, our primary sales channel, are located. 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 second quarter with sales down 20.8% from the second quarter of the previous fiscal year. At the end of January 2021, our financial position was stable, including cash and deposits of 924 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)	Second quarter of FY7/21 (As of Jan. 31, 2021)
Assets		
Current assets		
Cash and deposits	1,347,085	924,372
Notes and accounts receivable-trade	180,840	385,761
Finished goods	921,925	861,742
Work in process	115,972	188,596
Raw materials and supplies	924,203	763,095
Income taxes receivable	28,285	3
Other	70,606	68,165
Allowance for doubtful accounts	(397)	(25,262)
Total current assets	3,588,522	3,166,475
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,014,469	994,673
Land	331,094	331,094
Construction in progress	3,374	40,346
Other, net	35,235	53,734
Total property, plant and equipment	1,384,174	1,419,849
Intangible assets	57,918	54,533
Investments and other assets		
Long-term loans receivable	6,560	9,399
Other	259,374	125,567
Allowance for doubtful accounts	(95,297)	(1,866)
Total investments and other assets	170,636	133,099
Total non-current assets	1,612,729	1,607,482
Total assets	5,201,251	4,773,957

	(Thousands of yen)	
	FY7/20 (As of Jul. 31, 2020)	Second quarter of FY7/21 (As of Jan. 31, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	45,077	91,072
Short-term borrowings	1,000,400	860,000
Current portion of long-term borrowings	478,365	443,524
Income taxes payable	5,351	5,377
Other	47,527	103,769
Total current liabilities	1,576,722	1,503,743
Non-current liabilities		
Long-term borrowings	1,647,213	1,441,998
Other	1,038	1,327
Total non-current liabilities	1,648,251	1,443,325
Total liabilities	3,224,973	2,947,069
Net assets		
Shareholders' equity		
Share capital	683,400	695,136
Capital surplus	777,066	788,802
Retained earnings	504,217	331,048
Treasury shares	(20,378)	(20,378)
Total shareholders' equity	1,944,306	1,794,609
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(36)	2
Foreign currency translation adjustment	(3,891)	(3,576)
Total accumulated other comprehensive income	(3,927)	(3,573)
Share acquisition rights	35,899	35,853
Total net assets	1,976,277	1,826,888
Total liabilities and net assets	5,201,251	4,773,957

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

(Thousands of yen)

	First six months of FY7/20 (Aug. 1, 2019 – Jan. 31, 2020)	First six months of FY7/21 (Aug. 1, 2020 – Jan. 31, 2021)
Net sales	1,566,542	1,240,468
Cost of sales	851,933	831,158
Gross profit	714,608	409,309
Selling, general and administrative expenses	658,304	581,846
Operating profit (loss)	56,304	(172,537)
Non-operating income		
Foreign exchange gains	126	410
Rental income	2,932	2,664
Subsidy income	673	16,264
Other	1,384	1,389
Total non-operating income	5,116	20,729
Non-operating expenses		
Interest expenses	6,160	8,881
Provision of allowance for doubtful accounts	220	2,868
Commitment fee	1,905	2,114
Other	469	1,670
Total non-operating expenses	8,755	15,535
Ordinary profit (loss)	52,665	(167,343)
Extraordinary income		
Gain on reversal of share acquisition rights	-	46
Total extraordinary income	-	46
Extraordinary losses		
Loss on retirement of non-current assets	0	0
Impairment loss	-	2,973
Total extraordinary losses	0	2,973
Profit (loss) before income taxes	52,665	(170,270)
Income taxes-current	1,668	1,668
Income taxes-deferred	(937)	1,229
Total income taxes	731	2,898
Profit (loss)	51,933	(173,169)
Profit (loss) attributable to owners of parent	51,933	(173,169)

Quarterly Consolidated Statement of Comprehensive Income
For the Six-month Period

(Thousands of yen)

	First six months of FY7/20 (Aug. 1, 2019 – Jan. 31, 2020)	First six months of FY7/21 (Aug. 1, 2020 – Jan. 31, 2021)
Profit (loss)	51,933	(173,169)
Other comprehensive income		
Valuation difference on available-for-sale securities	79	39
Foreign currency translation adjustment	0	314
Total other comprehensive income	80	354
Comprehensive income	52,014	(172,814)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	52,014	(172,814)
Comprehensive income attributable to non-controlling interests	-	-

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	First six months of FY7/20 (Aug. 1, 2019 – Jan. 31, 2020)	First six months of FY7/21 (Aug. 1, 2020 – Jan. 31, 2021)
Cash flows from operating activities		
Profit (loss) before income taxes	52,665	(170,270)
Depreciation	64,323	47,990
Impairment loss	-	2,973
Increase (decrease) in allowance for doubtful accounts	27,934	(68,566)
Interest and dividend income	(149)	(37)
Interest expenses	6,160	8,881
Foreign exchange losses (gains)	1,903	1,398
Loss (gain) on sales and retirement of non-current assets	0	0
Share-based remuneration expenses	4,285	-
Decrease (increase) in trade receivables	64,913	(111,489)
Decrease (increase) in inventories	75,786	148,695
Increase (decrease) in trade payables	14,263	45,994
Increase (decrease) in advances received	(4,138)	2,879
Decrease/increase in consumption taxes receivable/payable	9,041	20,046
Other, net	96	86,875
Subtotal	317,087	15,372
Interest and dividends received	149	37
Interest paid	(6,052)	(7,854)
Income taxes paid	(7,083)	(1,731)
Income taxes refund	-	25,555
Net cash provided by (used in) operating activities	304,100	31,378
Cash flows from investing activities		
Purchase of property, plant and equipment	(49,595)	(65,224)
Purchase of intangible assets	(2,074)	(11,498)
Long-term loan advances	-	(5,400)
Collection of long-term loans receivable	-	1,309
Other, net	(1,662)	7,668
Net cash provided by (used in) investing activities	(53,332)	(73,144)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	200,000	(140,400)
Proceeds from long-term borrowings	100,000	-
Repayments of long-term borrowings	(322,701)	(240,055)
Dividends paid	(5,024)	(93)
Net cash provided by (used in) financing activities	(27,725)	(380,549)
Effect of exchange rate change on cash and cash equivalents	(2,084)	(1,397)
Net increase (decrease) in cash and cash equivalents	220,958	(423,713)
Cash and cash equivalents at beginning of period	708,398	1,342,085
Cash and cash equivalents at end of period	929,357	918,372

(4) 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 finished goods by 10,148 thousand yen and raw materials and supplies by 15,251 thousand yen as of the end of the second quarter. In addition, this change caused the second quarter operating loss, ordinary loss and loss attributable to owners of parent to increase by 25,399 thousand yen each.

Furthermore, net assets per share decreased 1.51 yen and the net loss per share increased 1.52 yen in the first half.

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.

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.