



**Summary of Consolidated Financial Results for the Third Quarter  
of the Fiscal Year Ending July 31, 2021  
(Nine Months Ended April 30, 2021)**

[Japanese GAAP]

June 14, 2021

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

Scheduled date of filing of Quarterly Report: June 14, 2021  
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 Third Quarter of the Fiscal Year Ending July 31, 2021  
(August 1, 2020 to April 30, 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	%
Nine months ended Apr. 30, 2021	2,032	0.8	(162)	-	(150)	-	(157)	-
Nine months ended Apr. 30, 2020	2,017	(24.6)	(102)	-	(109)	-	(78)	-

Note: Comprehensive income (millions of yen) Nine months ended Apr. 30, 2021: (157) (-%)  
Nine months ended Apr. 30, 2020: (78) (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Apr. 30, 2021	(9.39)	-
Nine months ended Apr. 30, 2020	(4.72)	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of Apr. 30, 2021	4,681	1,842	38.6
As of Jul. 31, 2020	5,201	1,976	37.3

Reference: Shareholders' equity (millions of yen) As of Apr. 30, 2021: 1,806 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: 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	2,511	8.0	(155)	-	(159)	-	(168)	-	(10.01)

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 Apr. 30, 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 Apr. 30, 2021:	798,081 shares	As of Jul. 31, 2020:	798,081 shares
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3) Average number of shares during the period

Nine months ended Apr. 30, 2021:	16,768,102 shares	Nine months ended Apr. 30, 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.

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## 1. Qualitative Information on Quarterly Consolidated Financial Performance

### (1) Explanation of Results of Operations

There was a temporary upturn of the Japanese economy during the first nine months of the fiscal year ending July 31, 2021 because of government measures to support the economy and the start of COVID-19 vaccinations. However, the pandemic is still impacting the economy due to a new wave of infections, including new variants, and other events. This crisis is also having a major negative effect on the economies of other countries. But there are big differences in the pace of economic recoveries, as shown by the rapid restart of economic activity in China.

In Japan's jewelry industry, the demand for expensive items is recovering along with the stock market rally. But the jewelry market is still challenging because of the smaller number of people attending jewelry sales events and the reluctance of people to go out for shopping.

Due to major revisions to sales activities in Japan and other countries, there was a recovery in sales during the third quarter compared with sales in the first half and operations returned to profitability. One initiative regarding sales activities was emphasis on joint activities with companies with contactless sales channels such as e-commerce and television shopping. Sales in these channels are strong as people stay home for safety during the pandemic. There are also new measures involving sales, such as by launching products in the novelty and gift markets, which are growing as people's live styles become more diverse, and by contacting customers who have been inactive for some time in order to resume sales to them. In addition, we are conducting sales activities for VIRUS BLOCK, a virus and bacteria-resistant jewelry coating we launched late in the previous fiscal year, and amulets utilizing the Dancing Stone\*<sup>1</sup> that are sold at shrines and temples. In Thailand, we have been working with a partner factory to establish a progressive stamping production system for the mass production of components for Dancing Stone products. Machinery has been installed and operations started in May 2021, enabling us to fabricate high-quality Dancing Stone parts at a low cost. We plan to use this factory for the full-scale start of sales activities in India with a large population and for measures that target the problem of counterfeit products in China. To increase sales worldwide, we are stepping up online sales activities and participation in virtual trade fairs as the COVID-19 pandemic continues to restrict international travel and trade fairs. Our goal is to use online sales and virtual exhibitions to achieve sales growth in this challenging business climate. In addition, we are reviewing promotional and other activities to control expenses while utilizing more online sales activities to reduce labor and travel and transportation expenses. We will continue to use numerous activities for enacting reforms for rebuilding our profit structure.

In the first nine months, sales in Japan were 1,447 million yen and sales in other countries were 585 million yen.

Sales in the first nine months were up 0.8% from one year earlier to 2,032 million yen. The operating loss was 162 million yen (compared with a 102 million yen loss one year earlier). The ordinary loss was 150 million yen (compared with a 109 million yen loss one year earlier) and there was a loss attributable to owners of parent of 157 million yen (compared with a 78 million yen loss 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) Explanation of Financial Position

#### Assets

Total assets decreased 519 million yen from the end of the previous fiscal year to 4,681 million yen as of the end of the third quarter. The main reasons were decreases of 316 million yen in raw materials and supplies and 627 million yen in cash and deposits, and an increase of 364 million yen in notes and accounts receivable-trade.

## Liabilities

Total liabilities decreased 385 million yen to 2,839 million yen. The main reasons were decreases of 250 million yen in long-term borrowings (including the current portion) and 240 million yen in short-term borrowings, and an increase of 115 million yen in notes and accounts payable-trade.

## Net assets

Total net assets decreased 133 million yen to 1,842 million yen. The main reason was the 157 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 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 first nine months with sales up 0.8% from the same period of the previous fiscal year. At the end of April 2021, our financial position was stable, including cash and deposits of 719 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)	Third quarter of FY7/21 (As of Apr. 30, 2021)
Assets		
Current assets		
Cash and deposits	1,347,085	719,786
Notes and accounts receivable-trade	180,840	545,747
Finished goods	921,925	881,320
Work in process	115,972	259,458
Raw materials and supplies	924,203	608,144
Other	98,891	56,261
Allowance for doubtful accounts	(397)	(35,527)
Total current assets	3,588,522	3,035,191
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,014,469	984,335
Land	331,094	331,094
Construction in progress	3,374	273
Other, net	35,235	123,476
Total property, plant and equipment	1,384,174	1,439,179
Intangible assets	57,918	57,712
Investments and other assets		
Long-term loans receivable	6,560	9,273
Other	259,374	142,398
Allowance for doubtful accounts	(95,297)	(1,868)
Total investments and other assets	170,636	149,802
Total non-current assets	1,612,729	1,646,694
Total assets	5,201,251	4,681,886

	(Thousands of yen)	
	FY7/20 (As of Jul. 31, 2020)	Third quarter of FY7/21 (As of Apr. 30, 2021)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	45,077	160,719
Short-term borrowings	1,000,400	760,000
Current portion of long-term borrowings	478,365	425,175
Income taxes payable	5,351	4,234
Other	47,527	38,445
<b>Total current liabilities</b>	<b>1,576,722</b>	<b>1,388,576</b>
<b>Non-current liabilities</b>		
Long-term borrowings	1,647,213	1,449,509
Other	1,038	1,241
<b>Total non-current liabilities</b>	<b>1,648,251</b>	<b>1,450,751</b>
<b>Total liabilities</b>	<b>3,224,973</b>	<b>2,839,328</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	683,400	695,136
Capital surplus	777,066	788,802
Retained earnings	504,217	346,734
Treasury shares	(20,378)	(20,378)
<b>Total shareholders' equity</b>	<b>1,944,306</b>	<b>1,810,295</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	(36)	4
Foreign currency translation adjustment	(3,891)	(3,594)
<b>Total accumulated other comprehensive income</b>	<b>(3,927)</b>	<b>(3,589)</b>
Share acquisition rights	35,899	35,853
<b>Total net assets</b>	<b>1,976,277</b>	<b>1,842,558</b>
<b>Total liabilities and net assets</b>	<b>5,201,251</b>	<b>4,681,886</b>

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

(Thousands of yen)

	First nine months of FY7/20 (Aug. 1, 2019 – Apr. 30, 2020)	First nine months of FY7/21 (Aug. 1, 2020 – Apr. 30, 2021)
Net sales	2,017,601	2,032,764
Cost of sales	1,179,518	1,356,644
Gross profit	838,082	676,120
Selling, general and administrative expenses	940,259	838,985
Operating loss	(102,176)	(162,865)
Non-operating income		
Foreign exchange gains	-	11,130
Rental income	4,386	4,118
Subsidy income	4,877	17,674
Other	1,891	1,660
Total non-operating income	11,155	34,583
Non-operating expenses		
Interest expenses	9,154	12,855
Foreign exchange losses	5,289	-
Provision of allowance for doubtful accounts	(58)	3,763
Commitment fee	3,044	3,039
Other	727	2,435
Total non-operating expenses	18,157	22,094
Ordinary loss	(109,177)	(150,375)
Extraordinary income		
Gain on reversal of share acquisition rights	-	46
Gain on sales of non-current assets	306	-
Total extraordinary income	306	46
Extraordinary losses		
Loss on retirement of non-current assets	0	0
Impairment loss	-	2,973
Total extraordinary losses	0	2,973
Loss before income taxes	(108,871)	(153,303)
Income taxes-current	3,722	2,502
Income taxes-deferred	(33,638)	1,677
Total income taxes	(29,916)	4,180
Loss	(78,954)	(157,483)
Loss attributable to owners of parent	(78,954)	(157,483)

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

(Thousands of yen)

	First nine months of FY7/20 (Aug. 1, 2019 – Apr. 30, 2020)	First nine months of FY7/21 (Aug. 1, 2020 – Apr. 30, 2021)
Loss	(78,954)	(157,483)
Other comprehensive income		
Valuation difference on available-for-sale securities	(11)	41
Foreign currency translation adjustment	24	296
Total other comprehensive income	13	338
Comprehensive income	(78,941)	(157,145)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(78,941)	(157,145)
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 finished goods by 12,998 thousand yen and raw materials and supplies by 10,697 thousand yen as of the end of the third quarter. In addition, this change caused the third quarter operating loss, ordinary loss and loss attributable to owners of parent to increase by 23,695 thousand yen each.

Furthermore, net assets per share decreased 1.41 yen and the net loss per share increased 1.41 yen in the first nine months.

#### **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.*