

**CONSOLIDATED FINANCIAL REPORT
FIRST QUARTER FISCAL 2009
(March 1, 2009 to May 31, 2009)**

July 9, 2009

F&A Aqua Holdings, Inc. is listed on the First Section of the Tokyo Stock Exchange under the securities code number 8008.

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(Millions of yen rounded down)

**1. Consolidated Operating Results for the First Quarter of Fiscal 2009
(March 1, 2009 to May 31, 2009)**

(1) Consolidated Operating Results (Cumulative)

(Percentage figures are the increase / (decrease) for the corresponding period of the previous fiscal year.)

	Operating Revenues		Operating Income		Ordinary Income		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
1Q FY2009	11,761	—	571	—	630	—	214	—
1Q FY2008	12,057	(6.4)	705	9.5	707	(16.6)	325	(17.0)

	Net Income per Share	Net Income per Share after Dilution
	Yen	Yen
1Q FY2009	7.62	—
1Q FY2008	11.19	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Net Assets to Total Assets	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
May 31, 2009	55,400	36,972	66.7	1,316.71
February 28, 2009	55,231	37,101	67.2	1,307.79

(Reference)

Shareholders' equity: May 31, 2009: 36,970 million yen
Feb. 28, 2009: 37,098 million yen

Note: Operating revenues is the total of net sales and other operating revenues.

2. Dividends

(Record Date)	Dividends per Share				
	End of 1Q	End of 2Q	End of 3Q	End of 4Q	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal 2008	—	10.00	—	10.00	20.00
Fiscal 2009	—	—	—	—	—
Fiscal 2009 (Forecast)	—	10.00	—	10.00	20.00

Note: Revision to dividend forecast for the first quarter of the fiscal year ending February 28, 2010: No

3. Forecasts of Consolidated Operating Results for the Fiscal Year Ending February 28, 2010 (March 1, 2009 to February 28, 2010)

(% figures for the full fiscal year represent year-on-year increase or decrease,
% figures for the interim period are the increase / (decrease) for the corresponding period of the previous fiscal year)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Interim period	24,000	—	750	—	700	—	100	—	3.55
Fiscal year ending February 28, 2010	52,000	8.9	2,500	8.9	2,550	8.9	850	20.1	30.17

Note: Revisions to consolidated operating forecasts for the first quarter of the fiscal year ending February 28, 2010: No

4. Other

- (1) Changes in Important Subsidiaries during the Period (Changes in Special Subsidiaries Involving Changes in the Scope of Consolidation: No
- (2) Application of the Simplified Accounting Method and Special Accounting Practices in the Preparation of Quarterly Consolidated Financial Statements: Yes
Note: Please refer to “Qualitative Information / Financial Statements and Other” 4. Other on page 4 for details.
- (3) Changes in Accounting Principles, Procedures and Presentation Methods in connection with the Preparation of Quarterly Consolidated Financial Statements (Recorded under “Changes in Important Items Considered Fundamental to the Preparation of Quarterly Consolidated Financial Statements”)
 1. Changes in accordance with revisions to accounting standards and related practices: Yes
 2. Changes in items other than 1. above: No
 Note: Please refer to “Qualitative Information / Financial Statements and Other” 4. Other on page 4 for details.
- (4) Number of Shares Issued and Outstanding (Common Stock)
 1. Total number of shares issued and outstanding (including treasury stock) as of the period-end:
May 31, 2009 30,631,356 shares Feb. 28, 2009 30,631,356 shares
 2. Total number of treasury stock as of the period-end:
May 31, 2009 2,553,586 shares Feb. 28, 2009 2,263,617 shares
 3. Average number of shares for the period (Cumulative total for the quarterly consolidated period)
First quarter fiscal 2009 28,171,188 shares First quarter fiscal 2008 30,171,093 shares

Cautionary Statement Concerning Operating Results Forecasts and Other Special Items

[Regarding the use of operating results forecasts]

The aforementioned forecasts were made based on information available to management as of the date of this report. Actual results could differ significantly from forecasts due to a variety of factors.

Effective from the first quarter of the fiscal year ending February 28, 2010, F&A Aqua Holdings Inc. has applied the Accounting Standard for Quarterly Financial Reporting Statement No. 12 issued by the Accounting Standards Board of Japan (ASBJ) on March 14, 2007 and the Guidance on Accounting Standard for Quarterly Financial Reporting Guidance No. 14 issued by the ASBJ on March 14, 2007. Furthermore, quarterly consolidated financial statements have been prepared in accordance with the Regulation for Quarterly Consolidated Financial Reporting.

[Qualitative Information and Financial Statements]

1. Qualitative Information Regarding Consolidated Business Results

In the first quarter (March 1, 2009 to May 31, 2009) of fiscal 2009, the fiscal year ending February 28, 2010, harsh operating conditions continued to characterize the Japanese economy. While signs of a recovery in stock prices, supported by successful efforts to adjust inventories and policies implemented by the government to stimulate the economy, as well as a modest change in the business environment that had steadily declined, began to emerge, corporate sector earnings continued to weaken. Impacted by this downturn in corporate sector earnings, which resulted in a lackluster consumer mindset fueled by uncertainties surrounding disposable income and employment conditions, personal consumption stalled. As a result, the retail industry faced an extremely difficult operating environment.

Under these circumstances, the F&A Aqua Holdings Group launched its second medium-term management plan in fiscal 2009 and is endeavoring to address key issues on an individual operating business basis with the aims of becoming a highly reliable and trustworthy corporate group while enhancing its overall Group value.

In specific terms, the F.D.C. Products group has worked to expand its market share and has promoted measures aimed at cultivating new customers. The F.D.C. Products group saw a drop in both revenues and earnings due to a decline in the number of customers in the department store market and other factors. Operating income and ordinary income, on the other hand, exceeded plans. In addition, sales of such new brands as canal 4°C and EAUDOUCE 4°C were robust with results significantly surpassing plans.

Guided by the overarching theme of “selection and focus,” the AS'TY group strove diligently to strengthen its profit structure through the efficient management of individual businesses and subsidiary companies. Buoyed by efforts to focus on businesses commensurate with profits, together with successful steps to improve gross profit margins and reduce overhead expenses, both operating income and ordinary income were higher than plans while net income saw substantial growth compared with the group's estimates. This was despite a year-on-year decline in operating revenues and ordinary income.

In the period under review, the MISUZU group undertook to increase profits. To this end the group worked to realign existing brands, create synergy benefits with subsidiary companies while securing and training human resources. Although net sales fell below levels recorded in the corresponding period of the previous fiscal year owing largely to weak personal consumption on the back of a drop in customer numbers and sales per customer, these endeavors and successful efforts to reduce the cost of sales ratio contributed to stable gross profit and ordinary income which remained essentially unchanged year on year.

âge Co., Ltd. took steps to open new PALLET stores as a part of its daily fashion item business while promoting increased management efficiency at existing stores. In this manner the company worked diligently to secure a profit recovery. Despite ordinary income falling below the level recorded in the corresponding period of the previous fiscal year due mainly to difficult conditions at existing stores on the back of weak personal consumption, results at new PALLET stores were robust with little or no change in overall year-on-year sales.

Taking into account the aforementioned factors, consolidated business results for the first quarter of the fiscal year ending February 28, 2010 were generally sound. Operating income, ordinary income and net income all contracted compared with the corresponding period of the previous fiscal year. Earnings at each of the aforementioned level were otherwise firm exceeding the F&A Aqua Holdings Group's plans.

In specific terms, operating revenues declined 2.5% compared with the corresponding period of the previous fiscal year to ¥11,761 million. From a profit perspective, operating income decreased 18.9% year on year to ¥571 million, ordinary income contracted 10.8% to ¥630 million and net income dropped 33.9% compared with the corresponding period of the previous fiscal year to ¥214 million.

With respect to the first quarter of the fiscal year ending February 28, 2010, comparative data with the corresponding period of the previous fiscal year utilizes different accounting standards and criteria.

This information is therefore recorded as reference material only.

Note: Operating revenues is the total of net sales and other operating revenues.

2. Qualitative Information Regarding Consolidated Financial Position

(1) Assets, Liabilities and Net Assets

With regard to the F&A Aqua Holdings Group's financial position as of the end of the first quarter of the fiscal year ending February 28, 2010 (May 31, 2009), total assets were ¥55,400 million, an increase of ¥169 million compared with the end of the previous fiscal year. This was mainly attributable to the increase in notes and accounts receivable, which rose ¥391 million compared with February 28, 2009. Total liabilities as of the end of the first quarter of the fiscal year under review stood at ¥18,428 million, an upswing of ¥298 million compared with previous fiscal year-end. The principal component was short-term debt, which climbed ¥527 million compared with February 28, 2009. Total net assets amounted to ¥36,972 million as of May 31, 2009, a decrease of ¥128 million compared with the end of the previous fiscal year. As of the end of the first quarter, treasury stock had increased ¥266 million compared with the previous fiscal year-end.

(2) Cash Flows

Cash and cash equivalents as of the end of the first quarter of the fiscal year ending February 28, 2010 stood at ¥989 million. This was ¥169 million lower than the balance as of the end of the previous fiscal year.

Net cash provided by operating activities amounted to ¥13 million. The major components were net income before income taxes totaling ¥375 million, which was effectively offset by increase in trade receivables of ¥387 million.

Net cash used in investing activities was ¥58 million for the first quarter of the fiscal year ending February 28, 2010. The principal component was payments for the acquisition of property and equipment of ¥146 million.

Net cash used in financing activities totaled ¥125 million. In the first quarter of the period under review, F&A Aqua Holdings undertook payments of cash dividends of ¥294 million.

3. Qualitative Information Regarding Forecasts of Consolidated Business Results

There are no changes from forecasts of consolidated business results disclosed on April 13, 2009.

4. Other

(1) Changes in important subsidiaries during the period (Changes in special subsidiaries involving changes in the scope of consolidation):

Not applicable

(2) Adoption of the simplified accounting method and special accounting practices for presenting quarterly consolidated financial statements:

1. Simplified accounting method

- Calculation method for loan loss reserves (allowance for doubtful accounts) for general receivables

F&A Aqua Holdings has determined that the loan loss ratio as of the end of the first quarter of the fiscal year ending February 28, 2010 has not changed materially from the figure attributable to the end of the previous fiscal year. As a result, the Company has applied the loan loss ratio calculated as of the previous fiscal year-end to calculate the loan loss reserve (allowance for

doubtful accounts) for general receivables.

- Calculation method for depreciation of fixed assets

For assets that are depreciated utilizing the declining-balance method, depreciation expenses applicable to the fiscal year are calculated on a pro-rata basis.

2. Special accounting practices for presenting quarterly consolidated financial statements

Not applicable

(3) Changes in accounting principles, procedures and presentation methods for the preparation of quarterly consolidated financial statements:

1. Application of “Accounting Standard for Quarterly Financial Reporting” and Related Guidance

Effective from the fiscal year ending February 28, 2010, F&A Aqua Holdings has applied “Accounting Standard for Quarterly Financial Reporting” (Accounting Standards Board of Japan (ASBJ) Statement No. 12) and “Guidance on Accounting Standard for Quarterly Financial Reporting” (ASBJ Guidance No. 14). Furthermore, quarterly consolidated financial statements have been prepared in accordance with the “Rules for Quarterly Consolidated Financial Statements.”

2. Application of “Accounting Standard for the Valuation of Inventory Assets”

Previously, products held for sale in ordinary course of business were mainly stated at cost, with cost being determined by the last purchase method, while other inventories were primarily stated at cost, with cost determined by the gross average method. However, effective from the first quarter of the fiscal year ending February 28, 2010, F&A Aqua Holdings has applied the “Accounting Standard for the Measurement of Inventories” (ASBJ Statement No. 9 of July 5, 2006). As a result, products held for sale in ordinary course of business are now mainly stated at cost, with cost being determined by the last purchase method (in cases where the profitability of products held for sale in ordinary course of business has declined, the book value is reduced accordingly), while other inventories are now primarily stated at cost, with cost determined by the gross average method (in cases where the profitability of other inventories has declined, the book value is reduced accordingly). The impact of the application of the “Accounting Standard for the Valuation of Inventory Assets” on F&A Aqua Holdings’ consolidated profit and loss for the first quarter of the fiscal year ending February 28, 2010 is immaterial.

3. Application of the “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements”

Effective the first quarter of the fiscal year ending February 28, 2010, F&A Aqua Holdings has applied the “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (ASBJ Practical Issues Task Force No. 18, May 17, 2006). There was no impact of the application of the “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” on the Company’s consolidated profit and loss for the first quarter of the fiscal year ending February 28, 2010.

5. Consolidated Quarterly Financial Statements

(1) Consolidated Quarterly Balance Sheet

	(Thousands of yen)	
	First Quarter of the Fiscal Year Ending February 28, 2010 (As of May 31, 2009)	Fiscal Year Ended February 28, 2009 (As of February 28, 2009)
ASSETS		
Current assets:		
Cash and time deposits	817,038	895,894
Trade notes and accounts receivable	3,794,143	3,403,014
Merchandise and finished products	6,204,083	6,235,077
Raw materials and stored goods	539,762	474,180
Work in process	424,894	240,788
Other current assets	1,686,755	1,730,121
Allowance for doubtful accounts	(12,616)	(10,340)
Total current assets	13,454,059	12,968,737
Fixed assets:		
Tangible fixed assets:		
Buildings and structures (net)	6,139,434	6,228,442
Land	6,057,585	6,060,262
Other fixed assets (net)	372,173	343,019
Total tangible fixed assets	12,569,193	12,631,724
Intangible fixed assets:		
Goodwill	8,783,199	8,922,521
Other intangible fixed assets	515,442	541,099
Total intangible fixed assets	9,298,642	9,463,621
Investments and other assets:		
Investment securities	13,467,173	13,319,315
Prepaid pension expenses	2,034,909	2,043,372
Other	5,273,220	5,512,844
Allowance for doubtful accounts	(696,418)	(708,455)
Total investments and other assets	20,078,884	20,167,076
Total fixed assets	41,946,721	42,262,422
Total assets	55,400,781	55,231,159

	(Thousands of yen)	
	First Quarter of the Fiscal Year Ending February 28, 2010 (As of May 31, 2009)	Fiscal Year Ended February 28, 2009 (As of February 28, 2009)
LIABILITIES		
Current liabilities:		
Notes and accounts payable	3,957,586	3,880,093
Short-term debt	7,053,680	6,525,985
Current portion of long-term debt	295,000	295,000
Accrued income taxes	177,448	704,192
Reserve for employees' bonus	468,269	415,805
Reserve for directors' bonus	17,038	38,700
Other current liabilities	2,576,489	2,369,707
Total current liabilities	14,545,512	14,229,484
Fixed liabilities:		
Corporate bonds	37,500	45,000
Long-term debt	586,936	638,158
Reserve for retirement benefits	474,555	472,161
Reserve for directors' retirement benefits	355,791	339,538
Other fixed liabilities	2,427,753	2,405,569
Total fixed liabilities	3,882,537	3,900,427
Total liabilities	18,428,050	18,129,911
NET ASSETS		
Shareholders' equity:		
Common stock	2,486,520	2,486,520
Capital surplus	18,300,326	18,300,303
Retained earnings	18,242,677	18,322,785
Treasury stock	(1,977,462)	(1,710,590)
Total shareholders' equity	37,052,062	37,399,019
Valuation and conversions:		
Net unrealized gain on other marketable securities	186,877	(29,879)
Gain (loss) on deferred hedge transactions	(879)	10,845
Net unrealized losses on land	(264,512)	(264,512)
Foreign currency translation adjustments	(3,321)	(16,503)
Total valuation and conversions	(81,835)	(300,049)
Minority interests		
	2,504	2,278
Total net assets	36,972,730	37,101,248
Total liabilities and net assets	55,400,781	55,231,159

(2) Consolidated Quarterly Statement of Income (Cumulative)

(Thousands of yen)

	First Quarter of the Fiscal Year Ending February 28, 2010 (March 1, 2009 to May 31, 2009)
Net sales	11,305,537
Cost of Sales	5,381,874
Gross Profit	5,923,662
Other operating revenues	455,673
Gross operating profit	6,379,336
Selling, general and administrative expenses	5,807,377
Operating income	571,958
Non-operating income	
Interest income	1,033
Dividends received	8,111
Equity in earnings of associated companies	25,426
Rent of real estate for investment	26,975
Foreign exchange gains	11,794
Other non-operating income	16,112
Total non-operating income	89,452
Non-operating expenses	
Interest expense	24,450
Other non-operating expenses	6,096
Total non-operating expenses	30,546
Ordinary income	630,864
Extraordinary income	
Gain on sales of fixed assets	119
Gain on reversal of allowance for doubtful accounts	411
Other extraordinary income	687
Total extraordinary income	1,218
Extraordinary losses	
Loss on sales of fixed assets	853
Loss on disposal of fixed assets	38,360
Fixed asset impairment loss	22,149
Loss on devaluation of investment securities	187,109
Loss on closure of stores	8,300
Total extraordinary losses	256,773
Net income before income taxes	375,308
Income taxes	160,321
Gain on minority interests	225
Net income	214,761

(3) Consolidated Quarterly Statement of Cash Flows

(Thousands of yen)

First Quarter of the
Fiscal Year Ending February 28, 2010
(March 1, 2009 to May 31, 2009)

Cash flows from operating activities:	
Net Income before income taxes	375,308
Loss on fixed asset impairment	22,149
(Decrease) increase in allowance for doubtful accounts	(9,760)
Increase (decrease) in reserve for employees' bonus	52,464
Increase (decrease) in allowance for employee retirement benefits	9,982
(Decrease) increase in other allowances	(5,409)
Interest and dividend income	(9,144)
Interest paid	24,450
Equity in losses (gains) of associated companies	(25,426)
Loss (gain) on foreign exchange	3,424
Loss (gain) on devaluation of investment securities	187,109
Loss on disposal of fixed assets	38,360
Loss (gain) on sales of fixed assets	734
Decrease (increase) in trade receivable	(387,468)
(Increase) decrease in inventories	(216,943)
Increase (decrease) in trade payables	76,834
(Increase) decrease in other assets	(37,525)
Increase (decrease) in other liabilities	462,372
Subtotal	561,512
Interest and dividend income received	64,958
Cash paid for interest	(23,104)
Cash paid for income and enterprise taxes	(590,307)
Net cash provided by operating activities	13,058
Cash flows from investing activities:	
Payments for the acquisition of property and equipment	(146,679)
Proceeds from the sale of tangible fixed assets	2,748
Payments for the acquisition of investment securities	(4,253)
Other	89,988
Net cash used in investing activities	(58,195)
Cash flows from financing activities:	
Increase (decrease) in short-term borrowings, net	542,704
Repayment of long-term debt	(66,231)
Payments for the redemption of corporate bonds	(7,500)
Payments for the acquisition of treasury stock	(267,003)
Payment of cash dividends	(294,869)
Other	(32,138)
Net cash used in financing activities	(125,038)
Effect of exchange rate changes on cash and cash equivalents	510
Net decrease in cash and cash equivalents	(169,664)
Cash and cash equivalents at the beginning of the period	1,159,152
Cash and cash equivalents at the end of the period	989,488

Effective from the first quarter of the fiscal year ending February 28, 2010, F&A Aqua Holdings Inc. has applied the Accounting Standard for Quarterly Financial Reporting Statement No. 12 issued by the Accounting Standards Board of Japan (ASBJ) on March 19, 2007 and the Guidance on Accounting Standard for Quarterly Financial Reporting Guidance No. 14 issued by the ASBJ on March 19, 2007. Furthermore, quarterly consolidated financial statements have been prepared in accordance with the Regulation for Quarterly Consolidated Financial Reporting.

(4) Notes Regarding Going Concern Assumptions

Not applicable

(5) Notes Regarding Substantial Changes in Shareholders' Equity

Not applicable

[Reference Material]**Financial Statements and Other Information for the First Quarter of the Fiscal Year Ended February 29, 2008****(1) (Summary) First Quarter Consolidated Statement of Income**

(Thousands of yen)

	First Quarter of the Fiscal Year Ended February 28, 2009 (March 1, 2008 to May 31, 2008)
[Operating revenues]	[12,057,665]
I. Net sales	11,601,128
II. Cost of sales	6,100,080
Gross profit	5,501,047
III. Other operating revenues	456,537
Gross operating profit	5,957,585
IV. Selling, general and administrative expenses	5,252,351
Operating income	705,233
V. Non-operating income	62,202
VI. Non-operating expenses	60,037
Ordinary income	707,398
VII. Extraordinary income	7,512
VIII. Extraordinary losses	6,139
Income before income taxes	708,770
Tax expense	383,792
Loss on minority interests	(159)
Net income	325,137

(2) (Summary) First Quarter Consolidated Statement of Cash Flows

(Thousands of yen)

	First Quarter of the Fiscal Year Ended February 28, 2009 (March 1, 2008 to May 31, 2008)
I. Cash flows from operating activities:	
Income before income taxes	708,770
Depreciation and amortization	177,832
Amortization of goodwill	137,173
(Decrease) increase in allowance for doubtful accounts	(2,848)
Increase (decrease) in reserve for employees' bonus	(10,438)
Increase (decrease) in allowance for employee retirement benefits	(16,743)
(Decrease) increase in other allowances	(130,640)
Interest and dividend income	(12,103)
Interest paid	20,431
Equity in losses of associated companies	33,682
Gain on foreign exchange	(34,739)
Loss on disposal of fixed assets	2,092
Loss (gain) on sales of fixed assets	(1,573)
Decrease (increase) in trade receivable	(1,065,012)
(Increase) decrease in inventories	(912,669)
Increase (decrease) in trade payables	99,268
Increase (decrease) in consumption tax payable	(53,626)
(Increase) decrease in other assets	(47,499)
Increase (decrease) in other liabilities	(38,191)
Subtotal	(1,146,835)
Interest and dividend income received	100,524
Cash paid for interest	(22,631)
Cash paid for income and enterprise taxes	(729,770)
Net cash provided by operating activities	(1,798,712)
II. Cash flows from investing activities:	
Payments for the acquisition of property and equipment	(65,812)
Proceeds from the sale of tangible fixed assets	3,634
Payments for the acquisition of intangible fixed assets	(27,935)
Payments for the acquisition of investment securities	(17,793)
Increase in long-term loans receivable	(410)
Proceeds from the collection of long-term loans receivable	5,019
Payments for long-term prepaid expenses	(865)
Payments for fixed deposits	(1,505)
Payments for other investments	(61,913)
Proceeds from recovery of other investments	87,785
Net cash used in investing activities	(79,795)
III. Cash flows from financing activities:	
Increase (decrease) in short-term borrowings, net	2,651,639
Repayment of long-term debt	(31,195)
Payments for the redemption of corporate bonds	(25,000)
Proceeds from sale of treasury stock	6
Payments for the acquisition of treasury stock	(55,283)
Payment of cash dividends	(301,917)
Net cash used in financing activities	2,238,248
IV. Effect of exchange rate changes on cash and cash equivalents	(5,211)
V. Net increase in cash and cash equivalents	354,529
VI. Cash and cash equivalents at the beginning of the period	649,085
VII. Cash and cash equivalents at the end of the period	1003,615