

CONSOLIDATED FINANCIAL REPORT
FIRST QUARTER FISCAL 2010
(March 1, 2010 to May 31, 2010)

July 5, 2010

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

Representative: Saishi Kimura, President and Representative Director
 Inquiries: Shigeo Ohki, Director and General Manager General Affairs Dept.
 Tel: +81-3-5719-3429
 URL: <http://www.fa-aqua.co.jp>

First Quarter Securities Report filing date (planned): July 15, 2010

Dividend payment commencement date (planned): —

(Millions of yen rounded down)

1. Consolidated Operating Results for the First Quarter of Fiscal 2010
(March 1, 2010 to May 31, 2010)

(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 FY2010	10,993	(6.5)	605	5.8	721	14.4	255	19.1
1Q FY2009	11,761	—	571	—	630	—	214	—

	Net Income per Share	Net Income per Share after Dilution
	Yen	Yen
1Q FY2010	9.15	—
1Q FY2009	7.62	—

(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, 2010	52,660	37,358	70.9	1,336.03
February 28, 2010	52,207	37,338	71.5	1,335.31

(Reference)

Shareholders' equity: May 31, 2010: 37,356 million yen
 Feb. 28, 2010: 37,336 million yen

2. Dividends

(Record Date)	Dividends per Share				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal 2010	—	10.00	—	10.00	20.00
Fiscal 2011	—	—	—	—	—
Fiscal 2012 (Forecast)	—	10.00	—	10.00	20.00

Note: Revision to dividend forecast for the first quarter of the fiscal year ending February 28, 2011: No

3. Forecasts of Consolidated Operating Results for the Fiscal Year Ending February 28, 2011 (March 1, 2010 to February 28, 2011)

(% figures for the full fiscal year represent year-on-year increase or decrease.)

	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	22,000	(4.7)	750	5.9	850	27.8	100	(21.9)	3.58
Fiscal year ending February 28, 2011	47,000	(3.0)	2,550	5.7	2,750	5.2	1,050	7.4	37.55

Note: Revisions to consolidated operating forecasts for the first quarter of the fiscal year ending February 28, 2011: 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, 2010 30,331,356 shares Feb. 28, 2010 30,631,356 shares
 2. Total number of treasury stock as of the period-end:
May 31, 2010 2,370,577 shares Feb. 28, 2010 2,670,450 shares
 3. Average number of shares for the period (Cumulative total for the quarterly consolidated period)
First quarter fiscal 2010 27,960,839 shares
First quarter fiscal 2009 28,171,188 shares

Note: The number of recorded treasury stock is inclusive of 513,700 of the Company’s shares held by the F&A Aqua Holdings Employees’ Shareholding Association Trust Account as of the end of the quarterly period.

Cautionary Statement Concerning Operating Results Forecasts and Other Special Items

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.

[Qualitative Information and Financial Statements]

1. Qualitative Information Regarding Consolidated Business Results

During the first quarter (March 1, 2010 to May 31, 2010) of fiscal 2010, the fiscal year ending February 28, 2011, operating conditions throughout the Japanese economy remained harsh. Despite signs of an upturn in the economy, which encompassed improvements in such areas as corporate-sector earnings, reflecting the upswing in economic activity in Asia and North America as well as the positive effects of measures aimed stimulating the economy, employment conditions and disposable incomes continued to stall resulting in the prolonged slump in personal consumption.

In the retail sector conditions were also mixed. Buoyed by the recovery in stock prices, which generated positive asset benefits and effects, the market witnessed a partial turnaround on the back of increased affluent consumer activity. Average customer spending, on the other hand, continued to fall amid the deflationary trend. Indications are that the economy is yet to experience a full-fledged recovery.

Under these circumstances, the F&A Aqua Holdings Group undertook to address key issues on an individual operating business basis in an effort to become a highly reliable and trustworthy corporate group while enhancing its overall Group value in fiscal 2010, the second fiscal year of its second medium-term management plan.

Taking into account its various endeavors, the F&A Aqua Holdings Group reported consolidated operating revenues of ¥10,993 million for the first quarter of the fiscal year under review. This represented a 6.5% decline compared with the corresponding period of the previous fiscal year. From a profit perspective, operating income climbed 5.8% year on year to ¥605 million. Ordinary income increased 14.4% compared with the corresponding period of the previous fiscal year to ¥721 million while net income improved 24.4% year on year to ¥267 million.

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

Operating results on an individual business segment basis are presented as follows.

The Brand Business

The F.D.C. Products group, which mainly engages in brand business activities, saw substantial year-on-year improvements in each of its EAUDOUCÉ 4°C and canal 4°C brands. As a result, the company recorded an increase in both revenues and earnings. The group's performance was also significantly higher than plans.

On this basis, brand business sales amounted to ¥4,336 million, 0.8% higher than the corresponding period of the previous fiscal year. Operating income rose 26.3% year on year to ¥561 million.

The Apparel Manufacturing Business

In the apparel manufacturing business undertaken by the AS'TY group, every effort was made to expand ODM business activities as well as to bolster the profit structures of subsidiary companies.

Despite these endeavors, sales in the apparel manufacturing business dropped 19.0% compared with the corresponding period of the previous fiscal year to ¥1,544 million. Operating income was ¥42 million, down 9.5% year on year.

The Retail Business

During the first quarter of the fiscal year under review, MISUZU Co., Ltd. took steps to boost its profit structure. To this end, the company strengthened sales and promotional activities in an effort to boost sales while at the same time curtailing overhead expenses.

âge Co., Ltd. worked diligently to increase its earnings and to improve gross profit margins by reinforcing its sales and marketing capabilities. As a part of these efforts, the company established a Kansai office in its PALLET daily fashion item business.

Taking the aforementioned into account, retail business sales contracted 5.4% year on year to ¥3,942 million. In terms of earnings, the retail business incurred an operating loss of ¥19 million compared with operating income of ¥3 million in the corresponding period of the previous fiscal year.

The Wholesale Business

AS'TY Inc., which also engaged in wholesale business activities, continued to confront stagnant market conditions. Building on the strength of its community-centric sales and marketing structure, steps were taken to secure positive earnings.

Based on these endeavors, the wholesale business reported operating income of ¥16 million, up

79.9% compared with the corresponding period of the previous fiscal year in sales of ¥821 million, down 13.3% year on year.

The Developer Business

In AS'TY Inc.'s developer business, the company continued to engage in building maintenance and tenant property leasing management.

In the first quarter of the fiscal year under review, developer business sales amounted to ¥348 million, a decrease of 20.6% compared with the corresponding period of the previous fiscal year. Operating income also contracted 38.7% year on year to ¥104 million.

Note: Developer business sales are recorded as 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 consolidated financial position as of the end of the first quarter of the fiscal year ending February 28, 2011, total assets stood at ¥52,660 million, ¥453 million higher than the level recorded as of the end of the previous fiscal year. The principal movement was recorded in notes and accounts receivable — trade, which rose ¥651 million. Taking into consideration the early adoption of the Accounting Standard for Asset Retirement Obligations from the first quarter of the fiscal year ending February 28, 2011, the Company recorded an asset retirement obligation totaling ¥730 million. As a result, total liabilities as of May 31, 2010 totaled ¥15,301 million, an increase of ¥433 million compared with February 28, 2010. Net assets stood at ¥37,358 million as of the end of the first quarter of fiscal 2010, up ¥20 million compared with the previous fiscal year-end.

(2) Cash Flows

Cash and cash equivalents as of the end of the period under review (May 31, 2010) stood at ¥434 million, a decline of ¥83 million compared with the end of the previous fiscal year.

Net cash used in operating activities amounted to ¥558 million, a turnaround of ¥571 million compared with the corresponding period of the previous fiscal year. Major cash outflows included the decline in income before income taxes of ¥453 million to a loss before income taxes as well as the increase in income taxes paid of ¥449 million. This more than offset the major cash inflow of ¥491 million reflecting the adoption of the Accounting Standard for Asset Retirement Obligations.

Net cash used in investing activities came to ¥352 million, a decrease of ¥294 million compared with the corresponding period of the previous fiscal year. The principal component was purchase of noncurrent assets which climbed ¥107 million year on year.

Net cash provided by financing activities amounted to ¥827 million, a turnaround of ¥952 million compared with the corresponding period of the previous fiscal year. The primary movement included a net increase in long-term loans payable of ¥487 million. This is attributable to the introduction of a Trust-Type Employee Shareholding Incentive Plan during the first quarter of the fiscal year ending February 28, 2011. Another major movement was purchase of treasury stock, which decreased ¥266 million year on year.

3. Qualitative Information Regarding Forecasts of Consolidated Business Results

There is no change from the forecasts announced on April 12, 2010.

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, 2011 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:

Application of “Accounting Standard for Asset Retirement Obligations”

Effective from the first quarter of the fiscal year ending February 28, 2011, F&A Aqua Holdings has decided to implement the early adoption of “Accounting Standard for Asset Retirement Obligations” (Accounting Standards Board of Japan (ASBJ) Statement No. 18 issued on March 31, 2008) and “Guidance on Accounting Standard for Asset Retirement Obligations” (ASBJ Guidance No. 21 issued on March 31, 2008).

As a result of this initiative, operating income and ordinary income both decline ¥10,772 thousand, while income before income taxes decreases ¥502,146 thousand. In addition, the amount of asset retirement obligation change is ¥730,476 thousand following the commencement of subject accounting standard and guidance application.

For details of the impact on individual business segments following the application of this accounting standard and guidance, please refer to Segment Information.

5. Consolidated Quarterly Financial Statements

(1) Consolidated Quarterly Balance Sheet

	(Thousands of yen)	
	End of the First Quarter of the Fiscal Year Ending February 28, 2011 (As of May 31, 2010)	End of the Fiscal Year Ended February 28, 2010 (As of February 28, 2010)
ASSETS		
Current assets:		
Cash and deposits	434,883	518,261
Notes and accounts receivable — trade	3,969,790	3,318,504
Merchandise and finished goods	5,599,646	5,098,352
Work in process	132,654	342,731
Raw materials and supplies	357,181	330,687
Other current assets	1,090,748	1,664,599
Allowance for doubtful accounts	(10,969)	(9,213)
Total current assets	11,573,935	11,263,924
Noncurrent assets:		
Property, plant and equipment:		
Buildings and structures, net	5,585,559	5,417,218
Land	5,994,953	5,994,953
Other, net	371,349	375,833
Total property, plant and equipment	11,951,862	11,788,005
Intangible assets:		
Goodwill	8,194,779	8,327,875
Other intangible assets	371,543	412,605
Total intangible assets	8,566,322	8,740,480
Investments and other assets:		
Investment securities	13,328,070	13,359,089
Prepaid pension cost	1,995,027	1,997,008
Other	5,924,509	5,737,621
Allowance for doubtful accounts	(679,233)	(679,060)
Total investments and other assets	20,568,374	20,414,659
Total noncurrent assets	41,086,559	40,943,144
Total assets	52,660,494	52,207,068

	(Thousands of yen)	
	End of the First Quarter of the Fiscal Year Ending February 28, 2011 (As of May 31, 2010)	End of the Fiscal Year Ended February 28, 2010 (As of February 28, 2010)
LIABILITIES		
Current liabilities:		
Notes and accounts payable — trade	4,164,719	3,915,845
Short-term loans payable	3,740,889	3,034,404
Current portion of bonds	2,500	10,000
Income taxes payable	159,580	1,097,582
Provision for bonuses	421,022	407,668
Provision for directors' bonuses	14,793	42,650
Other	2,691,773	3,104,856
Total current liabilities	11,195,278	11,613,006
Noncurrent liabilities:		
Long-term loans payable	903,046	453,754
Provision for retirement benefits	514,264	512,957
Provision for directors' retirement benefits	340,879	332,414
Asset retirement obligations	730,476	—
Other	1,617,557	1,955,970
Total noncurrent liabilities	4,109,225	3,255,097
Total liabilities	15,301,503	14,868,103
NET ASSETS		
Shareholders' equity:		
Capital stock	2,486,520	2,486,520
Capital surplus	18,300,303	18,300,326
Retained earnings	18,647,175	18,871,004
Treasury stock	(1,908,480)	(2,099,478)
Total shareholders' equity	37,525,519	37,558,372
Valuation and translation adjustments:		
Valuation difference on available-for-sale securities	123,760	72,924
Deferred gains or losses on hedges	(1,636)	(2,223)
Revaluation reserve for land	(264,512)	(264,512)
Foreign currency translation adjustments	(26,577)	(28,008)
Total valuation and translation adjustments	(168,965)	(221,820)
Minority interests		
	2,437	2,412
Total net assets	37,358,990	37,338,965
Total liabilities and net assets	52,660,494	52,207,068

(2) Consolidated Quarterly Statement of Income (Cumulative)

(Thousands of yen)

	First Quarter of the Fiscal Year Ended February 28, 2010 (March 1, 2009 to May 31, 2009)	First Quarter of the Fiscal Year Ending February 28, 2011 (March 1, 2010 to May 31, 2011)
Net sales	11,305,537	10,641,242
Cost of Sales	5,381,874	4,935,373
Gross profit	5,923,662	5,705,868
Other operating revenue	455,673	351,959
Operating gross profit	6,379,336	6,057,828
Selling, general and administrative expenses	5,807,377	5,452,698
Operating income	571,958	605,129
Non-operating income		
Interest income	1,033	861
Dividends received	8,111	10,872
Equity in earnings of affiliates	25,426	27,919
Rent of real estate for investment	26,975	26,575
Foreign exchange gains	11,794	2,315
Allocated income of investment securities	—	30,440
Subsidy income	—	13,138
Other	16,112	27,201
Total non-operating income	89,452	139,324
Non-operating expenses		
Interest expenses	24,450	11,743
Other	6,096	11,116
Total non-operating expenses	30,546	22,859
Ordinary income	630,864	721,594
Extraordinary income		
Gain on sales of noncurrent assets	119	—
Reversal of allowance for doubtful accounts	411	—
Other	687	—
Total extraordinary income	1,218	—
Extraordinary loss		
Loss on sales of noncurrent assets	853	—
Loss on retirement of noncurrent assets	38,360	62,861
Loss on valuation of investment securities	187,109	129,453
Impairment loss	22,149	111,076
Loss on closing of stores	8,300	2,870
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	491,373
Other	—	2,392
Total extraordinary losses	256,773	800,028
Net income (loss) before income taxes	375,308	(78,433)
Income taxes — current	93,517	163,084
Income taxes — deferred	66,803	(497,417)
Total income taxes	160,321	(334,332)
Minority interests in income	225	25
Net income	214,761	255,873

(3) Consolidated Quarterly Statement of Cash Flows

(Thousands of yen)

	First Quarter of the Fiscal Year Ended February 28, 2010 (March 1, 2009 to May 31, 2009)	First Quarter of the Fiscal Year Ending February 28, 2011 (March 1, 2010 to May 31, 2011)
Cash flows from operating activities:		
Income before income taxes	375,308	(78,433)
Impairment loss	22,149	111,076
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	491,373
Increase (decrease) in allowance for doubtful accounts	(9,760)	1,929
Increase (decrease) in provision for bonuses	52,464	13,354
Increase (decrease) in provision for retirement benefits	9,982	3,153
Increase (decrease) in other provision	(5,409)	(19,391)
Interest and dividends income	(9,144)	(11,734)
Interest expenses	24,450	11,743
Equity in (earnings) losses of affiliates	(25,426)	(27,919)
Foreign exchange losses (gains)	3,424	(728)
Loss (gain) on valuation of investment securities	187,109	129,453
Loss on retirement of noncurrent assets	38,360	62,861
Loss (gain) on sales of noncurrent assets	734	—
Decrease (increase) in notes and accounts receivable-trade	(387,468)	(652,738)
Decrease (increase) in inventories	(216,943)	(317,580)
Increase (decrease) in notes and accounts payable-trade	76,834	248,837
Other, net	424,846	461,683
Subtotal	561,512	426,940
Interest and dividends income received	64,958	66,116
Interest expenses paid	(23,104)	(11,439)
Income taxes paid	(590,307)	(1,040,112)
Net cash provided by operating activities	13,058	(558,495)
Cash flows from investing activities:		
Purchase of noncurrent assets	(146,679)	(253,732)
Proceeds from sales of noncurrent assets	2,748	—
Purchase of investment securities	(4,253)	(4,179)
Other	89,988	(94,841)
Net cash used in investing activities	(58,195)	(352,754)
Cash flows from financing activities:		
Net increase (decrease) of short-term loans payable	542,704	720,000
Proceeds from long-term loans payable	—	487,000
Repayment of long-term loans payable	(66,231)	(51,221)
Redemption of bonds	(7,500)	(7,500)
Purchase of treasury stock	(267,003)	(119)
Cash dividends paid	(294,869)	(290,801)
Other, net	(32,138)	(29,701)
Net cash used in financing activities	(125,038)	827,655
Effect of exchange rate changes on cash and cash equivalents	510	215
Net increase (decrease) in cash and cash equivalents	(169,664)	(83,378)
Cash and cash equivalents at beginning of period	1,159,152	518,261
Cash and cash equivalents at end of period	989,488	434,883

(4) Notes Regarding Going Concern Assumptions

Not applicable

(5) Segment Information

Performance by Business Segment

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

(Thousands of yen)

	Brand	Apparel Manufacturing	Retail	Wholesale	Development	Total
Net sales						
(1) Sales to outside customers						
(2) Intra-segment sales and transfers	4,301,762	1,906,292	4,166,119	948,099	438,936	11,761,210
Total	15,512	301,695	33,934	184,040	38,637	573,820
Operating income (loss)	4,317,275	2,207,988	4,200,053	1,132,140	477,573	12,335,031
	444,343	47,328	3,789	9,075	170,634	675,171
	Eliminations and Corporate	Consolidated				
Net sales						
(1) Sales to outside customers						
(2) Intra-segment sales and transfers	—	11,761,210				
Total	(573,820)	—				
Operating income (loss)	(573,820)	11,761,210				
	(103,212)	571,958				

Notes:

- Other operating revenues are included in net sales.
- Business segments have been classified according to their product type, characteristics and sales methods.
- Principal products of each business segment are as follows:
 - Brand: Planning, manufacture and sale of jewelry, bags and related products
 - Apparel manufacturing: Planning, manufacture, sale and OEM production of bags, men's and women's apparel, infants apparel, socks, toys and related products
 - Retail: Sales of men's, women's and children's apparel, underwear and socks, garments, sleeping wear, Japanese garments and other products, restaurant management
 - Wholesale: Wholesale of men's, women's and children's apparel, underwear and socks, garments, sleeping wear, Japanese garments and other products
 - Development: Property leasing, other

(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, 2011 is immaterial.

(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, 2011.

The First Quarter of the Fiscal Year Ending February 28, 2011
(March 1, 2010 to May 31, 2010)

(Thousands of yen)

	Brand	Apparel Manufacturing	Retail	Wholesale	Development	Total
Net sales						
(1) Sales to outside customers						
(2) Intragroup sales and transfers	4,336,359	1,544,256	3,942,277	821,787	348,521	10,993,201
	1,742	261,826	40,625	160,492	37,642	502,329
Total	4,338,101	1,806,082	3,982,903	982,280	386,163	11,495,531
Operating income (loss)	561,425	42,813	(19,958)	16,331	104,672	705,283
	Eliminations and Corporate	Consolidated				
Net sales						
(1) Sales to outside customers						
(2) Intragroup sales and transfers	—	10,993,201				
	(502,329)	—				
Total	(502,329)	10,993,201				
Operating income (loss)	(100,154)	605,129				

Notes:

- Other operating revenues are included in net sales.
- Business segments have been classified according to their product type, characteristics and sales methods.
- Principal products of each business segment are as follows:
 - Brand: Planning, manufacture and sale of jewelry, bags and related products
 - Apparel manufacturing: Planning, manufacture, sale and OEM production of bags, men’s and women’s apparel, infants apparel, socks, toys and related products
 - Retail: Planning, manufacture and sale of women’s apparel, sales of men’s and children’s apparel, underwear and socks, garments, sleeping wear, Japanese garments and other products, restaurant management
 - Wholesale: Wholesale of men’s, women’s and children’s apparel, underwear and socks, garments, sleeping wear, Japanese garments and other products
 - Development: Property leasing, other

(Application of “Accounting Standard for Asset Retirement Obligations”)

Effective from the first quarter of the fiscal year ending February 28, 2011, F&A Aqua Holdings has applied the “Accounting Standard for Asset Retirement Obligations” (Accounting Standards Board of Japan (ASBJ) Statement No. 18 issued on March 31, 2008) and “Guidance on Accounting Standard for Asset Retirement Obligations” (ASBJ Guidance No. 21 issued on March 31, 2008).

As a result of this initiative, and compared with the previously applied method, operating income for the first quarter of the fiscal year ending February 28, 2011 in each of the Brand, Apparel Manufacturing, Retail, Wholesale and Developer businesses decrease ¥3,007 thousand, ¥760 thousand, ¥4,015 thousand, ¥208 thousand and ¥2,780 thousand, respectively.

Geographical Segment Information

The First Quarter of the Fiscal Year Ended February 28, 2010

(March 1, 2009 to May 31, 2009)

As the total of net sales based in Japan of all business segments represented over 90% of the Company's total net sales, geographical information has been omitted.

The First Quarter of the Fiscal Year Ending February 28, 2011

(March 1, 2010 to May 31, 2010)

As the total of net sales based in Japan of all business segments represented over 90% of the Company's total net sales, geographical information has been omitted.

Overseas Sales

The First Quarter of the Fiscal Year Ended February 28, 2010

(March 1, 2009 to May 31, 2009)

As overseas sales represented less than 10% of the Company's total net sales, overseas sales information has been omitted.

The First Quarter of the Fiscal Year Ending February 28, 2011

(March 1, 2010 to May 31, 2010)

As overseas sales represented less than 10% of the Company's total net sales, overseas sales information has been omitted.

(6) Notes Regarding Substantial Changes in Shareholders' Equity

Not applicable

(7) Accounting Treatment with respect to the Retirement of Treasury Stock in connection with the Trust-Type Employee Shareholding Incentive Plan

Following a resolution of the Board of Directors at a meeting held on April 19, 2010, F&A Aqua Holdings decided to introduce a Trust-Type Employee Shareholding Incentive Plan in order to provide Group employees with incentives to increase the Company's overall corporate value from a medium- to long-term perspective. In a related move, the Company transferred 513,700 shares of treasury stock at a value of ¥486,987 thousand to a dedicated F&A Aqua Holdings Employees' Shareholding Association Trust Account (hereinafter referred to as "the Trust Account") on May 11, 2010, details for which were previously disclosed on April 19, 2010.

With respect to the accounting treatment applicable to the aforementioned treasury stock, F&A Aqua Holdings recognizes that the Company and the Trust Account are a uniform entity taking into consideration both from the relationship and economic perspectives the indemnity provided by the Company for the obligations of the Trust Account. At the time the F&A Aqua Holdings Employees' Shareholding Association purchases shares from the Trust Account, the accounting treatment has been applied as if the transfer of shares was conducted from the Company to a third party. On this basis, the assets, liabilities as well as expenses and income including treasury stock held by the Trust Account have been posted to the Company's quarterly balance sheet and statement of income. With respect to the number of treasury stock, the number of the Company's shares held by the Trust Account has been included in the number of treasury stock.

The number of treasury stock held by the Trust Account and the number of treasury stock held by the Company were 513,700 shares and 737,595 shares, respectively, as of May 31, 2010.