

F&A Aqua Holdings, Inc.

April 11, 2011

(Securities Code: 8008, First Section, Tokyo Stock Exchange)

Notice Concerning Consolidated Financial Report for the Fiscal Year Ended February 28, 2011

- Despite a decrease in operating revenues, F&A Aqua Holdings achieved an increase in earnings (operating income, ordinary income and net income) due to such factors as robust results in the Brand business and successful efforts to reduce costs.
- F.D.C. Products Inc. reported an increase in both revenue and earnings for the fiscal year under review. In addition to surpassing plans, sales were up year on year. The company also recorded historic highs in operating income, ordinary income and net income. This was largely attributable to strong performances across all jewelry brands and the ongoing successful development of bridal stores.
- Taking account each of the aforementioned, operating income increased 3.6% compared with the previous fiscal year to ¥2,499 million; ordinary income climbed 13.9% year on year to ¥2,978 million, and; net income edged up 1.4% to ¥991 million.
- Turning to the fiscal year ending February 29, 2012, consolidated revenue is forecast to decline while earnings are projected to climb.

F&A Aqua Holdings, Inc. (hereafter referred to as “F&A Aqua Holdings” or “the Company”) — Headquarters: Shibuya-ku, Tokyo; President and Representative Director: Saishi Kimura — today announced details of the Company’s business results for fiscal 2010, the fiscal year ended February 28, 2011. Brief details are as follows.

1. Consolidated Business Results

(Millions of yen, %)

	Fiscal 2009 (Mar. 1 2009 to Feb. 28, 2010)	Fiscal 2010 (Mar. 1 2010 to Feb. 28, 2011)	YoY
Operating revenues	48,430	46,433	(4.1)%
Operating income	2,412	2,499	+3.6%
Ordinary income	2,614	2,978	+13.9%
Net income	978	991	+1.4%

Net income per share for the fiscal year ended February 28, 2011: ¥35.44, net income per share of ¥34.90 for the previous fiscal year.

Average number of shares issued and outstanding for the fiscal year ended February 28, 2011 of 27,971,616 shares.

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

Head Office:	Keio Ebisu Building, 3-22-13 Higashi, Shibuya-ku, Tokyo
Headquarters:	2-19-10 Kami-Osaki, Shinagawa-ku, Tokyo
Date of Establishment:	May 1950
Paid-in Capital:	¥2,486.52 million
Business Activities	Brand business focusing mainly on jewelry, Planning, manufacture and wholesale and retail sales mainly of apparel and bags
URL:	http://www.fa-aqua.co.jp/
Inquiries:	F&A Aqua Holdings, Inc. General Affairs Division, General Affairs Department TEL.: +81-3-5719-3429 FAX.: +81-3-5719-4462 e-mail: ir@fa-aqua.co.jp

In the retail sector, signs of a favorable turnaround began to emerge as the rate of department and general merchandise store sales decline narrowed. This was, however, offset by an ongoing weak operating climate amid residual anxieties surrounding stagnant employment conditions and the environment for disposable incomes. Under these circumstances, the general consensus is that personal consumption remains far removed from a full-fledged recovery.

Against this backdrop, the F&A Aqua Holdings Group continued to address key issues, guided by its second medium-term management plan, which in fiscal 2010 was in its second year of implementation. Under this plan, the Group is striving to become a highly reliable and trustworthy corporate group and to enhance its overall Group value.

Taking into account its various endeavors, the F&A Aqua Holdings Group reported consolidated operating revenues of ¥46,433 million for the fiscal year under review. This represented a 4.1% decline compared with the previous fiscal year. From a profit perspective, operating income increased 3.6% year on year to ¥2,499 million. Ordinary income climbed 13.9% compared with the previous fiscal year to ¥ 2,978 million and net income edged up 1.4% year on year to ¥991 million.

Operating results by individual business segment are presented as follows.

The Brand Business (The F.D.C. Products Group)

Sales: ¥20,288 million (Up 2.9% YoY)

Operating Income: ¥2,710 million (Up 15.7% YoY)

In the brand business undertaken by the F.D.C. Products group, sales increased compared with the previous fiscal year. This was largely attributable to the company's efforts to enter the specialty store market, primarily through the development of 4°C bridal shops, and strong performances by EAUDOUCE 4°C and canal 4°C brand products, which both surpassed plans. On the earnings front, profit increased year on year due mainly to the improvements in the RUGIADA brand and the return to the black of 4°C brand bags.

The Apparel Manufacturing Business (The AS'TY Group)

Sales: ¥5,544 million (Down 17.9% YoY)

Operating Loss: ¥82 million (—)

In OEM activities, results were robust with an upswing in orders. This was in large part due to successful efforts to cultivate new customers and develop new materials. Despite this positive contribution, sales contracted compared with the previous fiscal year owing mainly to such factors as the liquidation of Ueda Legknit Co., Ltd.

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The Retail Business (MISUZU Co., Ltd.; âge Co., Ltd.; FLAGS INC.)

Sales: ¥16,346 million (Down 3.7% YoY)

Operating Loss: ¥6 million (—)

During the fiscal year under review, MISUZU Co., Ltd. worked diligently to establish and develop an SPA business while at the same time expanding earnings. Both sales and earnings declined compared with the previous fiscal year. This can largely be attributable to the difficult conditions confronted by new stores and the downturn in the market.

âge Co., Ltd. incurred a drop in sales compared with the previous fiscal year owing mainly to the decrease in LOU and RAPPORT customers. From a profit perspective, however, earnings increased year on year due to such factors as the robust performance by PALLET, which relocated its head office to the Kansai region.

FLAGS INC., which is engaged in specialty restaurant chain development, witnessed a decline in both sales and earnings compared with the previous fiscal year. This was primarily attributable to the drop in the number of stores.

The Wholesale Business (AS'TY Inc.)

Sales: ¥3,061 million (Down 8.5% YoY)

Operating Loss: ¥51 million (—)

School products performed strongly throughout the period under review. This positive contribution was insufficient, however, to offset the closure of several key business partners including mainstay general retail stores and the contraction in market scale of existing mid-sized stores. As a result, sales were lower compared with the previous fiscal year.

The Developer Business (AS'TY Inc.)

Sales: ¥1,192 million (Down 27.0% YoY)

Operating Income: ¥218 million (Down 61.7% YoY)

In AS'TY Inc.'s developer business, the company continued to engage in such activities as building maintenance and tenant property leasing management. In the period under review, both sales and operating income declined compared with the previous fiscal year due to the demolition of certain rental properties.

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2. Operating Forecasts for the Full Fiscal Year of the Fiscal Year Ending February 29, 2012

(Millions of yen, %)

	Fiscal 2010	Fiscal 2011 (Forecast)	YoY
Operating revenues	46,433	45,000	(3.1)%
Operating income	2,499	2,700	+8.0%
Ordinary income	2,978	3,000	+0.7%
Net income	991	1,200	+21.1%

Net income per share for the full fiscal year ending February 29, 2012: ¥42.90

Average number of shares issued and outstanding for the period ending February 29, 2012 (consolidated): 27,971,616 shares

In the retail sector, demand for essential commodities is expected to increase due mainly to the impacts of the recent earthquake. The F&A Aqua Holdings Group's operating environment, on the other hand, is projected to remain harsh as consumer sentiment turns increasingly against the purchase of high priced items. In fiscal 2011, the final year of the Group's second medium-term management plan, every effort will be made to become a highly reliable and trustworthy corporate group. Steps will be taken to practice CSR management and strengthen the internal control function. The Group will undertake the medium- and long-term investment required to build a robust profit growth platform. Through these means, the F&A Aqua Holdings Group will enhance its overall value.

In addition to opening new canal 4°C and 4°C bridal stops, F.D.C. Products will expand its Internet business, promote an overseas strategy and pursue activities aimed at rebuilding existing markets.

AS'TY will continue to promote growth in its apparel manufacturing business, which focuses on OEM activities, in an effort to secure earnings. At the same time, the company will work diligently to strengthen its earnings structure by ensuring the efficient operations of its subsidiaries.

MISUZU will focus on improving its earnings by rebuilding its brand business and establishing an SPA business by bolstering merchandising activities and enhancing the manufacturing function.

âge will cultivate and expand markets with a particular emphasis on the Kansai area and the opening of PALLET stores where the company can be expected to dominate. At the same time, âge will strive to improve LOU and RAPPORT earnings.

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Moreover, steps will be taken to upgrade the Group's internal control systems and to further reinforce the holdings company management function. In this manner, F&A Aqua Holdings is committed to building a management structure that is capable of enhancing the Group's trustworthiness.

Accounting for each of these endeavors, F&A Aqua Holdings forecasts consolidated operating revenues of ¥45,000 million, ordinary income of ¥3,000 million and net income of ¥1,200 million for the fiscal year ending February 29, 2012.

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