

# Q1 FY05/11 Results Presentation



Note:

Any current plans, forecasts, strategy projections, expressions of confidence and other statements made by us in these materials are premised on the information that was available at the moment of the initial publication and on models that depend on uncertain factors that could impact future earnings.

As the actual results may substantially differ from the projections represented herein due to a variety of reasons, we urge you not to rely solely on these materials.

These materials are not a solicitation to invest. Please rely on your own judgment when making investment decisions.

# P&L (Consolidated)



Income Statement (Million Yen)	FY05/09				FY05/10				FY05/11			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2 Est	Q3 Est	Q4 Est
<b>Sales</b>	<b>7,343</b>	<b>7,462</b>	<b>9,739</b>	<b>8,682</b>	<b>8,630</b>	<b>8,273</b>	<b>10,290</b>	<b>9,456</b>	<b>9,359</b>	<b>8,870</b>	<b>11,006</b>	<b>10,175</b>
SG&A	2,270	2,723	2,798	2,831	2,799	2,879	3,069	3,117	3,120	3,394	3,487	3,570
Labor	995	1,094	1,150	1,198	1,248	1,246	1,327	1,393	1,471	1,476	1,544	1,559
Rent	632	650	833	752	753	732	883	817	828	829	981	921
Depreciation	69	95	108	113	102	108	113	120	113	152	146	163
<b>Operating Profit</b>	<b>731</b>	<b>374</b>	<b>1,151</b>	<b>866</b>	<b>799</b>	<b>548</b>	<b>1,203</b>	<b>755</b>	<b>781</b>	<b>341</b>	<b>970</b>	<b>650</b>
<b>Recurring Profit</b>	<b>753</b>	<b>391</b>	<b>1,164</b>	<b>863</b>	<b>814</b>	<b>561</b>	<b>1,213</b>	<b>768</b>	<b>790</b>	<b>334</b>	<b>971</b>	<b>651</b>
<b>Net Profit</b>	<b>414</b>	<b>214</b>	<b>605</b>	<b>468</b>	<b>462</b>	<b>299</b>	<b>641</b>	<b>430</b>	<b>267</b>	<b>181</b>	<b>514</b>	<b>320</b>
Sales YoY	16.2%	21.5%	23.0%	19.0%	17.5%	10.9%	5.7%	8.9%	8.4%	7.2%	7.0%	7.6%
SG&A YoY	-22.3%	33.5%	30.1%	28.9%	23.3%	5.7%	9.7%	10.1%	11.4%	17.9%	13.6%	14.5%
Labor YoY	-19.8%	23.9%	27.4%	30.2%	25.4%	13.9%	15.4%	16.3%	17.8%	18.5%	16.4%	11.9%
Rent YoY	-17.5%	22.0%	24.9%	19.9%	19.1%	12.6%	6.0%	8.6%	9.9%	13.3%	11.1%	12.7%
Depreciation YoY	-9.6%	69.6%	50.0%	41.3%	47.8%	13.7%	4.6%	6.2%	11.2%	40.7%	29.2%	35.8%
Operating Profit YoY	8.0%	-31.8%	9.4%	23.2%	9.3%	46.5%	4.5%	-12.8%	-2.2%	-37.8%	-19.4%	-13.9%
Recurring Profit YoY	9.4%	-30.8%	8.9%	20.0%	8.1%	43.5%	4.2%	-11.0%	-2.8%	-40.5%	-20.0%	-15.2%
Net Profit YoY	8.3%	-30.5%	1.3%	148.9%	11.6%	39.7%	6.0%	-8.1%	-42.0%	-39.5%	-19.8%	-25.6%
Operating Profit Margin	10.0%	5.0%	11.8%	10.0%	9.3%	6.6%	11.7%	8.0%	8.3%	3.8%	8.8%	6.4%
Recurring Profit Margin	10.3%	5.2%	12.0%	9.9%	9.4%	6.8%	11.8%	8.1%	8.4%	3.8%	8.8%	6.4%
Net Profit Margin	5.6%	2.9%	6.2%	5.4%	5.4%	3.6%	6.2%	4.5%	2.9%	2.0%	4.7%	3.1%
Versus plan												
Sales				103.0%	101.0%	99.8%	98.7%	91.1%	100.9%			
SG&A				98.0%	100.9%	98.1%	98.4%	94.4%	98.2%			
Operating Profit				166.9%	104.2%	105.6%	100.5%	75.7%	111.5%			
Recurring Profit				167.4%	105.0%	108.1%	101.2%	74.9%	113.1%			
Net Income				180.1%	106.0%	100.7%	95.4%	75.3%	115.6%			

Village Vanguard (Hong Kong) Limited is included in consolidated account from FY05/11

# BS (Consolidated)

Balance Sheet												
(Million Yen)	FY05/09				FY05/10				FY05/11			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2 Est	Q3 Est	Q4 Est
Cash & Deposit	2,750	2,387	3,011	3,078	2,685	2,957	3,503	4,037	3,045	3,570	3,163	3,589
Inventories	11,340	13,711	13,881	14,131	15,003	15,928	15,315	15,466	16,182	17,223	17,140	17,119
Other	2,421	2,372	2,225	2,486	2,601	2,345	2,448	2,641	2,977	2,498	2,524	2,775
<b>Current Assets</b>	<b>16,512</b>	<b>18,470</b>	<b>19,119</b>	<b>19,695</b>	<b>20,290</b>	<b>21,231</b>	<b>21,267</b>	<b>22,145</b>	<b>22,205</b>	<b>23,291</b>	<b>22,828</b>	<b>23,484</b>
<b>Fixed Assets</b>	<b>3,299</b>	<b>4,218</b>	<b>4,227</b>	<b>4,383</b>	<b>4,440</b>	<b>4,519</b>	<b>4,414</b>	<b>4,382</b>	<b>4,599</b>	<b>4,651</b>	<b>4,748</b>	<b>4,830</b>
<b>Total Assets</b>	<b>19,812</b>	<b>22,688</b>	<b>23,347</b>	<b>24,079</b>	<b>24,731</b>	<b>25,750</b>	<b>25,682</b>	<b>26,528</b>	<b>26,805</b>	<b>27,942</b>	<b>27,576</b>	<b>28,314</b>
<b>Current Liabilities</b>	<b>6,586</b>	<b>8,361</b>	<b>6,933</b>	<b>7,525</b>	<b>8,053</b>	<b>8,214</b>	<b>7,626</b>	<b>8,370</b>	<b>8,118</b>	<b>8,429</b>	<b>7,468</b>	<b>8,235</b>
<b>Fixed Liabilities</b>	<b>2,068</b>	<b>2,955</b>	<b>4,436</b>	<b>4,108</b>	<b>3,824</b>	<b>4,382</b>	<b>4,261</b>	<b>3,934</b>	<b>4,310</b>	<b>4,945</b>	<b>5,026</b>	<b>4,678</b>
<b>Total Liabilities</b>	<b>8,654</b>	<b>11,316</b>	<b>11,369</b>	<b>11,633</b>	<b>11,877</b>	<b>12,596</b>	<b>11,887</b>	<b>12,304</b>	<b>12,429</b>	<b>13,374</b>	<b>12,494</b>	<b>12,913</b>
<b>Net Assets</b>	<b>11,157</b>	<b>11,372</b>	<b>11,976</b>	<b>12,445</b>	<b>12,853</b>	<b>13,153</b>	<b>13,793</b>	<b>14,223</b>	<b>14,376</b>	<b>14,567</b>	<b>15,081</b>	<b>15,399</b>

Village Vanguard (Hong Kong) Limited is included in consolidated accounts from FY05/11

# CF (Consolidated)

Cash Flow Statement												
(Million Yen)	FY05/09				FY05/10				FY05/11			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2 Est	Q3 Est	Q4 Est
<b>Operating Cash Flow</b>	<b>-419</b>	<b>-533</b>	<b>-1,758</b>	<b>-735</b>	<b>-292</b>	<b>-146</b>	<b>298</b>	<b>1,647</b>	<b>-730</b>	<b>-608</b>	<b>-1,268</b>	<b>220</b>
Change in Inventories	-412	-2,783	-2,953	-3,203	-872	-1,796	-1,183	-1,335	-644	-1,663	-1,581	-1,560
Other	-6	2,250	1,194	2,467	579	1,650	1,481	2,983	-86	1,055	313	1,780
<b>Investment Cash Flow</b>	<b>-239</b>	<b>-1,182</b>	<b>-1,497</b>	<b>-1,803</b>	<b>-186</b>	<b>-475</b>	<b>-600</b>	<b>-735</b>	<b>-156</b>	<b>-370</b>	<b>-626</b>	<b>-918</b>
Change in Tangible Fixed Assets	-127	-798	-947	-1,166	-104	-212	-309	-487	-93	-215	-292	-409
Change in Other Assets	-112	-383	-550	-636	-82	-262	-291	-248	-63	-155	-334	-508
Financing Cash Flow	422	1,119	3,284	2,633	86	503	728	47	-141	472	981	211
<b>Operating CF + Investment CF</b>	<b>-658</b>	<b>-1,715</b>	<b>-3,256</b>	<b>-2,359</b>	<b>-479</b>	<b>-621</b>	<b>-302</b>	<b>912</b>	<b>-886</b>	<b>-978</b>	<b>-1,894</b>	<b>-698</b>

Village Vanguard (Hong Kong) Limited is included in consolidated accounts from FY05/11

## Parent Company

Village Vanguard Corporation

# What We Do



■ Village Vanguard



■ Diner

Burger shop modeled after an American diner.



■ new style

For 30 year-olds with unique tastes.



■ QK

「Exciting book store for kids」  
Not only toys. 'Kids Entertainment' for kids.



■ Online

Book, accessories, CDs – 4,800 items.

# Examples of Our Merchandising Approach (1)

We offer merchandise by creating unique retail space aimed at entertaining the customer



Camera-shaped shoulder bag  
Camera-shaped hand mirror

Toy camera "HOLGA"  
Very popular with amateur photographers and artists

Self-study guide to become a professional photographer

Paperback books related to photographs and cameras

Photography textbook

Camera-lens-shaped beverage cup

Toy digital camera "mini digital camera" and a USB memory stick

Photo albums  
Scrap books  
Masking tapes

Photography book

DVD including airborne imagery of night scenes of Tokyo



# Examples of Our Merchandising Approach (2)



# Examples of Our Merchandising Approach (3)



VILLAGE/VANGUARD



# How We Sell?

We delegate both purchasing and sales decisions to the store level

**Marketing**  
-Pursue customer needs in each store

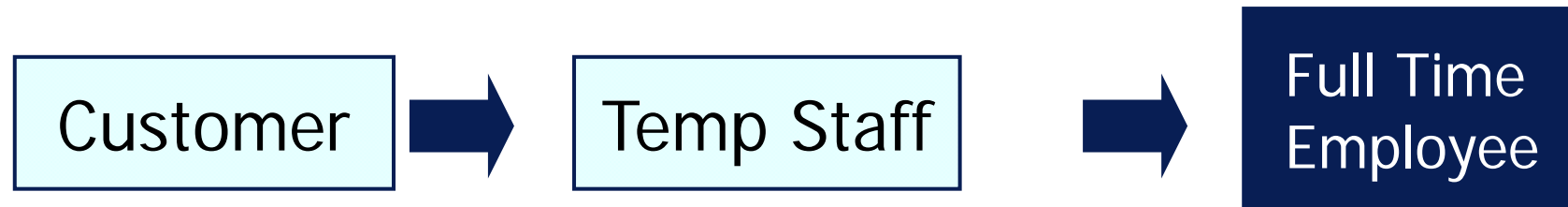
**Purchasing**  
-Reflect customer needs directly  
-Unique challenge to discover new needs

**Proposition**  
-POP, zone creations, and displays  
-Provide an ingenious space from every store level idea

Store manager has the absolute discretion

We create sales spaces that answer unique customer needs  
store by store, in real time

Store level ideas driving buying impulse and customer loyalty



- We hire people who really understand what we do
- Even temporary staff are allowed to make purchasing decisions
- Real On-the-Job training that spans years

# Store Openings (Parent)

Nationwide 335

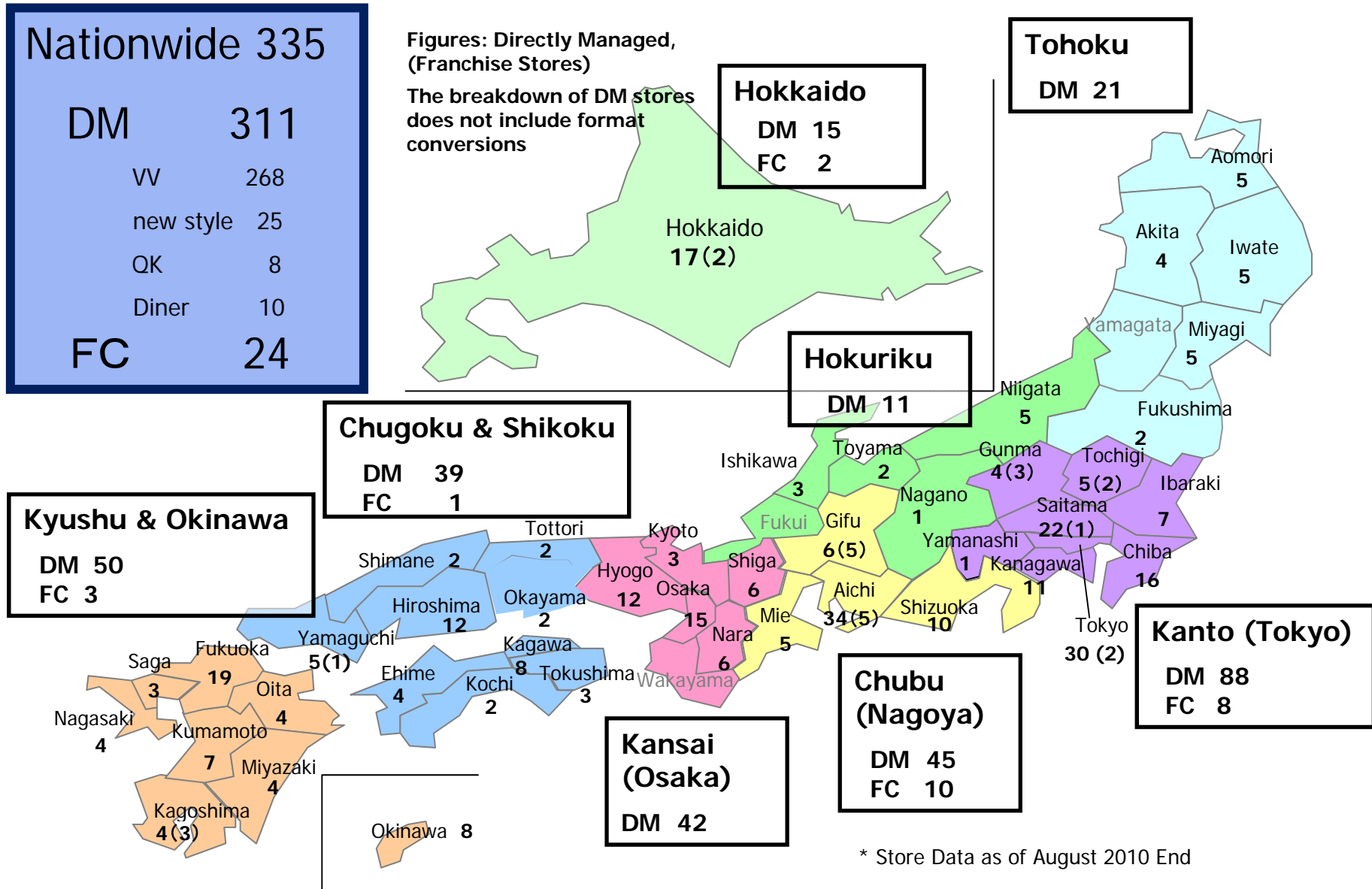
DM 311

VV 268  
 new style 25  
 QK 8  
 Diner 10

FC 24

Figures: Directly Managed,  
 (Franchise Stores)

The breakdown of DM stores  
 does not include format  
 conversions



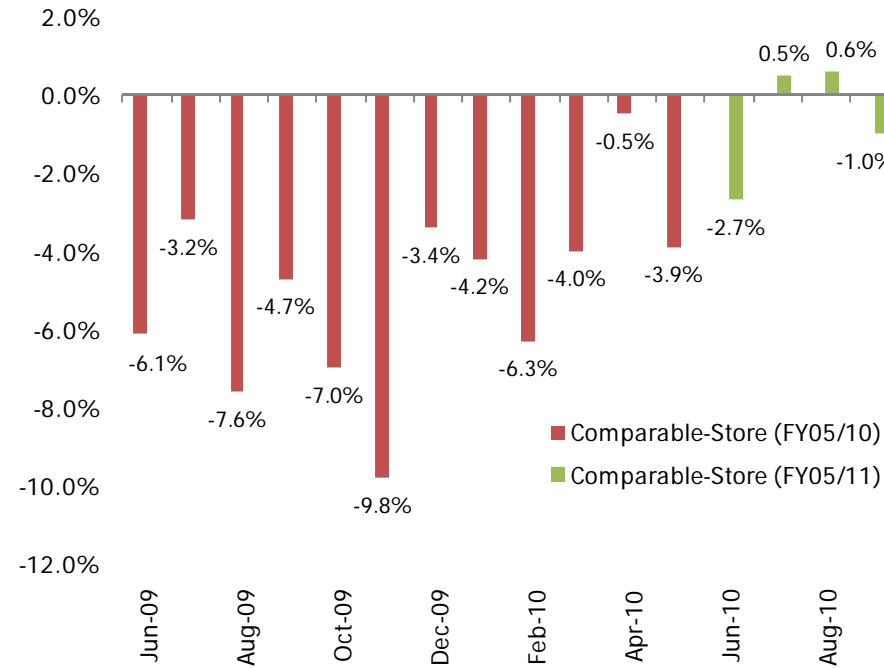
\* Store Data as of August 2010 End

# Parent Income Statement



Income Statement	FY05/09				FY05/10				FY05/11			
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4 Est.
<b>Sales</b>	<b>7,096</b>	<b>7,144</b>	<b>9,438</b>	<b>8,397</b>	<b>8,271</b>	<b>7,827</b>	<b>9,888</b>	<b>9,008</b>	<b>8,783</b>	<b>8,243</b>	<b>10,464</b>	<b>9,637</b>
<b>Gross Profit</b>	<b>2,821</b>	<b>2,880</b>	<b>3,739</b>	<b>3,506</b>	<b>3,351</b>	<b>3,130</b>	<b>3,994</b>	<b>3,582</b>	<b>3,500</b>	<b>3,317</b>	<b>4,088</b>	<b>3,866</b>
SG&A	2,092	2,521	2,586	2,622	2,567	2,610	2,776	2,815	2,762	2,999	3,113	3,191
Labor	911	1,002	1,052	1,099	1,137	1,137	1,191	1,259	1,306	1,295	1,364	1,384
Rent	584	600	781	705	705	674	822	751	746	742	899	836
Depreciation	67	91	102	107	95	100	103	107	97	106	114	130
<b>Operating Profit</b>	<b>729</b>	<b>359</b>	<b>1,152</b>	<b>885</b>	<b>784</b>	<b>519</b>	<b>1,218</b>	<b>768</b>	<b>738</b>	<b>318</b>	<b>975</b>	<b>675</b>
<b>Recurring Profit</b>	<b>758</b>	<b>383</b>	<b>1,173</b>	<b>886</b>	<b>806</b>	<b>541</b>	<b>1,235</b>	<b>791</b>	<b>759</b>	<b>324</b>	<b>988</b>	<b>687</b>
<b>Net Profit</b>	<b>418</b>	<b>208</b>	<b>637</b>	<b>503</b>	<b>455</b>	<b>278</b>	<b>664</b>	<b>429</b>	<b>266</b>	<b>182</b>	<b>532</b>	<b>348</b>
Sales YoY	16.0%	20.5%	22.3%	18.3%	16.6%	9.6%	4.8%	7.3%	6.2%	5.3%	5.8%	7.0%
Operating Profit YoY	7.3%	-35.8%	7.6%	20.7%	7.5%	44.6%	5.7%	-13.2%	-5.8%	-38.7%	-20.0%	-12.1%
Recurring Profit YoY	9.3%	-34.4%	7.0%	17.2%	6.3%	41.3%	5.3%	-10.7%	-5.9%	-40.1%	-20.0%	-13.1%
Net Profit YoY	8.3%	-36.2%	2.1%	66.0%	8.9%	33.7%	4.2%	-14.7%	-41.6%	-34.5%	-19.9%	-18.9%
Gross Profit Margins	39.8%	40.3%	39.6%	41.8%	40.5%	40.0%	40.4%	39.8%	39.8%	40.2%	39.1%	40.1%
Operating Profit Margin	10.3%	5.0%	12.2%	10.5%	9.5%	6.6%	12.3%	8.5%	8.4%	3.9%	9.3%	7.0%
Recurring Profit Margin	10.7%	5.4%	12.4%	10.6%	9.7%	6.9%	12.5%	8.8%	8.6%	3.9%	9.4%	7.1%
Net Profit Margin	5.9%	2.9%	6.7%	6.0%	5.5%	3.6%	6.7%	4.8%	3.0%	2.2%	5.1%	3.6%
Versus Plan												
Sales					101.2%	100.7%	100.1%	97.5%	100.6%			
SG&A					101.3%	99.7%	99.2%	97.8%	98.3%			
Operating Profit					103.6%	104.8%	103.8%	95.3%	107.2%			
Recurring Profit					104.9%	105.7%	104.5%	96.2%	108.4%			
Net Profit					105.8%	102.9%	100.9%	93.0%	107.9%			

# Comparable Store Sales



# Comparable Store Sales (by Format)



Sales by Format (Million Yen)	FY05/09				FY05/10				FY05/11			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Total</b>	<b>6,442</b>	<b>12,483</b>	<b>20,268</b>	<b>27,134</b>	<b>6,734</b>	<b>13,353</b>	<b>22,497</b>	<b>30,695</b>	<b>8,333</b>			
<b>Comp Stores YoY</b>	<b>3.9%</b>	<b>2.5%</b>	<b>1.5%</b>	<b>0.2%</b>	<b>-5.7%</b>	<b>-6.5%</b>	<b>-5.6%</b>	<b>-4.9%</b>	<b>-0.4%</b>			
Village Vanguard	5,964	11,493	18,538	24,787	6,110	12,025	20,152	27,440	7,362			
Comp Stores YoY	4.5%	2.9%	1.8%	0.4%	-5.7%	-6.0%	-5.5%	-4.8%	-0.3%			
new style	351	703	1,185	1,555	373	805	1,468	2,050	624			
Comp Stores YoY	-4.8%	-3.1%	-4.3%	-5.1%	-10.3%	-10.3%	-5.4%	-3.6%	2.7%			
QK	67	146	251	347	105	213	368	497	140			
Comp Stores YoY	8.5%	3.7%	-1.0%	-2.0%	-12.5%	-22.5%	-19.8%	-19.0%	-7.9%			
Online	32	71	132	181	53	109	195	258	58			
Comp Stores YoY	166.5%	146.3%	111.8%	85.7%	63.4%	52.0%	47.4%	43.0%	6.3%			
Diner	78	159	251	354	92	199	313	448	147			
Comp Stores YoY	1.7%	4.7%	4.1%	3.4%	-3.8%	-13.6%	-15.2%	-15.6%	-11.1%			

Note: Sales figures accumulate quarter to quarter.

※QoQ figures are used for determining comparable store sales



# Category Sales

Sales by Category (Million Yen)	FY05/09				FY05/10				FY05/11			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
SPICE (Parent)	5,109	5,243	7,102	6,310	6,193	5,926	7,785	6,904	6,713			
Books (Parent)	1,038	1,041	1,171	1,087	1,045	997	1,147	1,117	1,074			
NM (Parent)	810	723	997	801	844	664	771	769	806			
Other (Parent)	139	135	168	199	189	238	185	218	188			
<b>Sales</b>	<b>7,096</b>	<b>7,124</b>	<b>9,438</b>	<b>8,397</b>	<b>8,271</b>	<b>7,827</b>	<b>9,888</b>	<b>9,008</b>	<b>8,783</b>			
<b>Composition</b>												
SPICE (Parent)	72.0%	73.6%	75.2%	75.1%	74.9%	75.7%	78.7%	76.6%	76.4%			
Books (Parent)	14.6%	14.6%	12.4%	12.9%	12.6%	12.7%	11.6%	12.4%	12.2%			
NM (Parent)	11.4%	10.1%	10.6%	9.5%	10.2%	8.5%	7.8%	8.5%	9.2%			
Other (Parent)	2.0%	1.9%	1.8%	2.4%	2.3%	3.0%	1.9%	2.4%	2.1%			

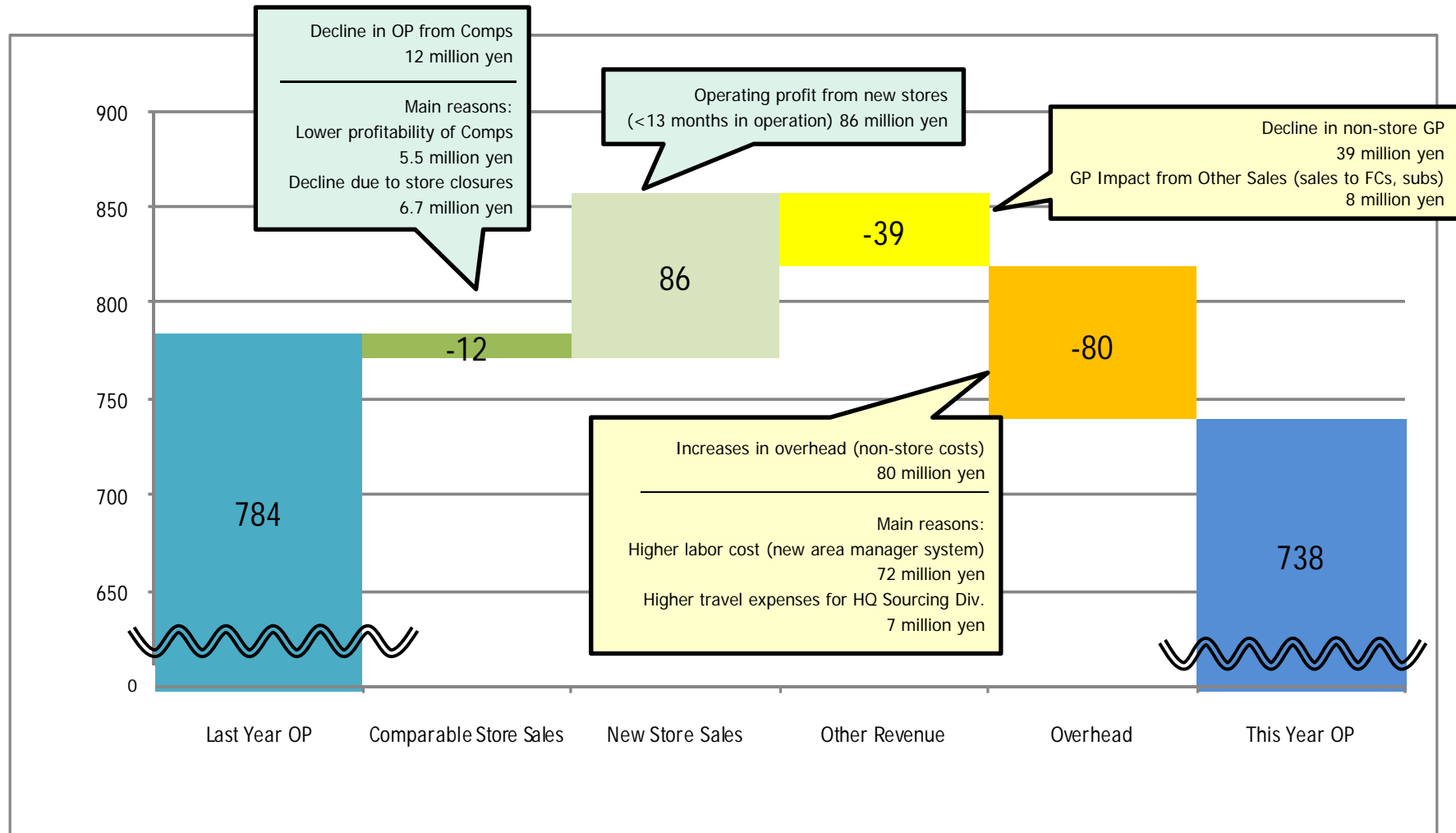
# Store Age Sales YoY

Year In Operation (Directly Managed Stores)	6th and Older	5th	4th	3rd	2nd	1st
Number of Stores	124	35	31	31	62	28
YoY Sales (%)	-2.6%	-1.4%	1.3%	-0.1%	7.6%	-

\*excluding online and closed stores

# OP Analysis

(Million Yen)



# Store Openings (Incl. Titicaca Subsidiary)

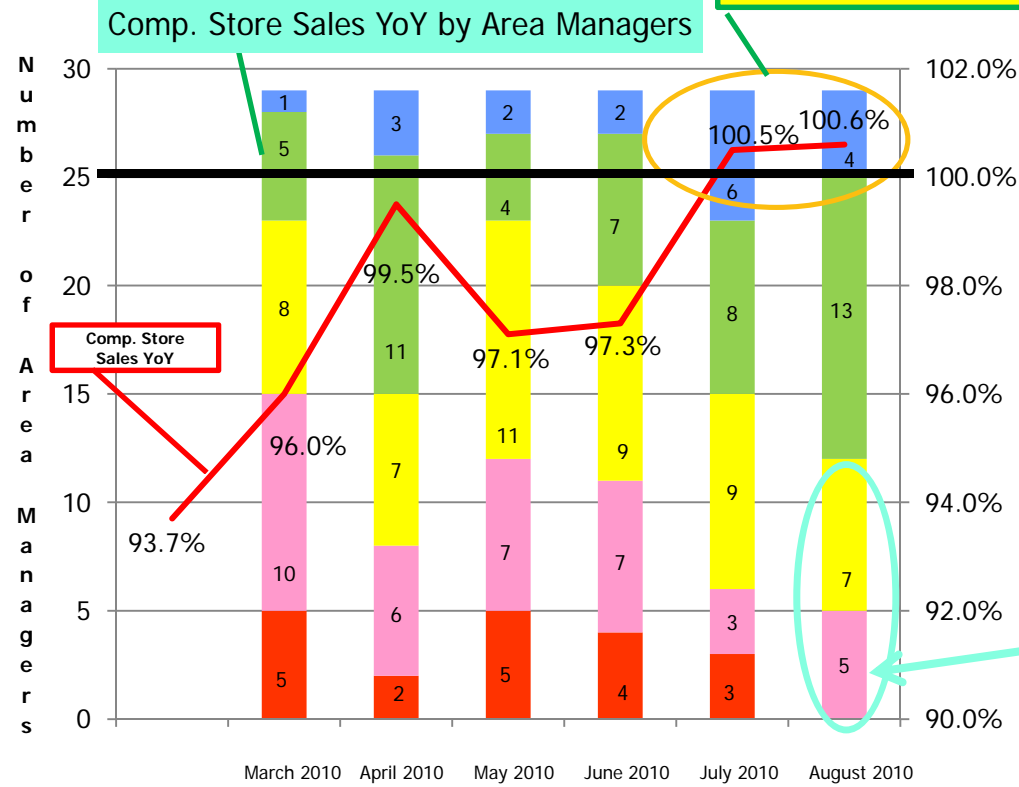


New Openings & Closures	FY05/09Act Full-Year	FY05/10Act Full-Year	FY05/11Est 1H	FY05/11Est 2H	FY05/11Est Full-Year
<b>Openings</b>					
Village Vanguard	42	30	17	16	33
new style	8	1	2	0	2
QK	5	0	0	0	0
Diner	4	1	0	0	0
FC	0	2	0	0	0
Titicaca	12	16	5	4	8
<b>Total New Openings</b>	<b>71</b>	<b>50</b>	<b>24</b>	<b>20</b>	<b>43</b>
<b>Closures</b>					
Village Vanguard	6	6	3	1	4
new style	0	0	0	0	0
QK	0	0	2	0	2
Diner	0	0	0	0	0
FC	2	6	1	0	1
Titicaca	7	1	2	0	3
<b>Total Closures</b>	<b>15</b>	<b>13</b>	<b>8</b>	<b>1</b>	<b>10</b>

## Sales Improvement from the Introduction of Dedicated Area Managers

Dedicated area managers were introduced in March 2010.

Comp. store sales exceeded 100% in July 2010 after 17 months.



※Bar graph shows the number of area managers in different categories.

■ Less than 90%      ■ 90%-95%      ■ 95%-99%  
■ 100%-105%      ■ More than 105%      — Comp. Store Sales YoY



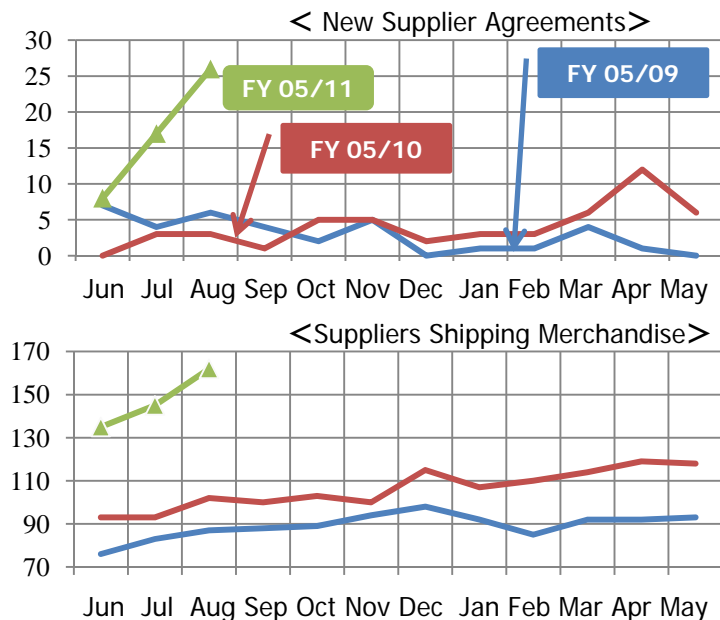
## Expanding merchandise variation by splitting the internal sourcing team into two competing units

Although new products were added from two teams competing to obtain new suppliers...

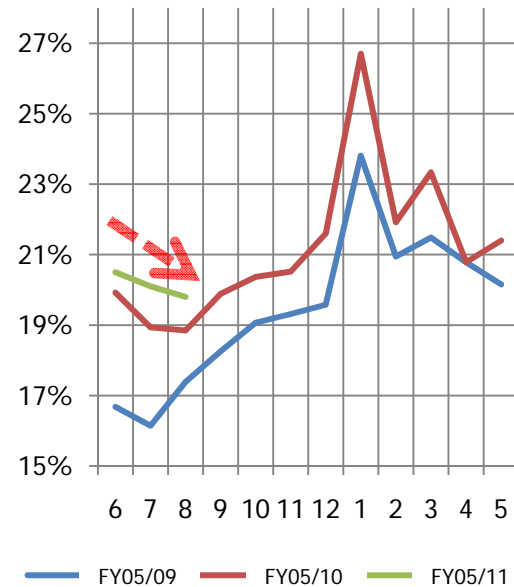


...There hasn't been an improvement in store sales yet.

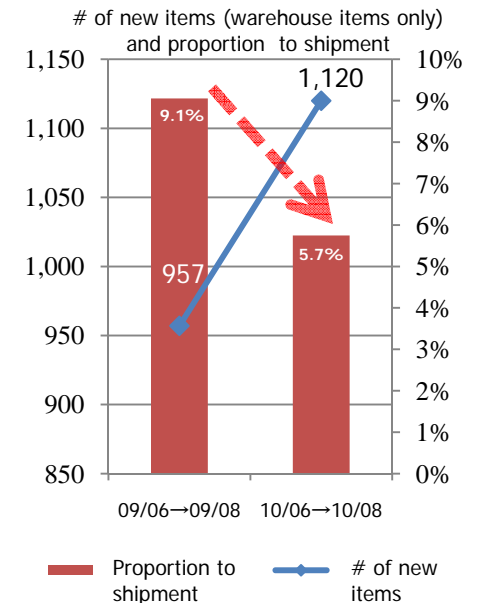
Increase in number of new suppliers and active suppliers



Internally sourced merchandise share in storefront sales on a normal trend (Full-year target 27.5%)



Proportion of new products procured from internal sourcing team down YoY



Sales team and product development team cooperate on improving the quality and the speed of merchandise introduction

# Theme 3

## Impact of organizational changes (Themes 1 & 2) in FY03/11

Costs are included in FY03/11 budget but any positive effects are not

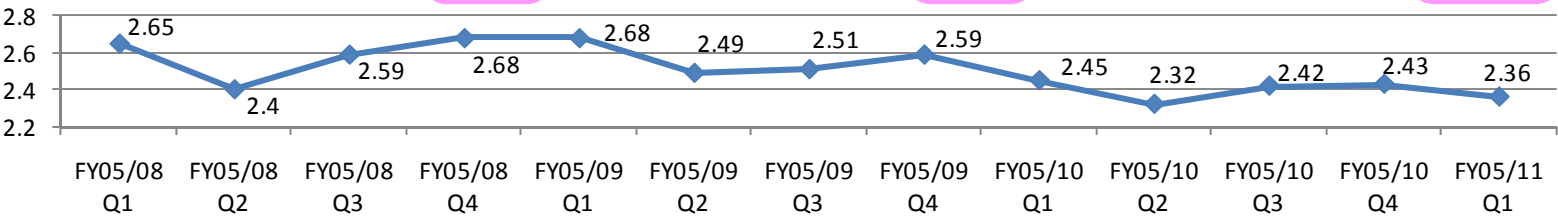
	Theme 1 Dedicated area managers	Theme 2 Two HQ sourcing teams
Impact to FY03/11 (included in budget)	Cost increase of 450 million yen	Cost increase of 150 million yen
Desired effect for FY03/11 (not included in budget)	Comparable Store Sales <u>+4.5% increase over the budget</u>	Weight of merchandise sourced through internal sourcing teams <u>+7% vs. budget</u> → <u>1%</u> improvement in Directly Managed stores GPM
Impact if all goes well	Sales +1.5 billion yen (profit +450 million yen)	Profit +310 million yen
Q1 achievements	Comparable Store Sales <u>+1.5% vs. budget</u> (40 million yen <b>more</b> profit than expected)	Weight of merchandise sourced through internal sourcing teams <u>-1.2% vs. budget</u> (57 million yen <b>less</b> profit than expected)

# Inventory Control

**Existing Store Inventory Trends**

(Million Yen)	FY05/09 Q1	FY05/09 Q2	FY05/09 Q3	FY05/09 Q4	FY05/10 Q1	FY05/10 Q2	FY05/10 Q3	FY05/10 Q4	FY05/11 Q1
<b>Cash Flows From Operations</b>	-393	-565	-1,694	-669	-197	-173	380	1,756	-718
■ <b>Net Income Before Tax</b>	744	1,116	2,276	3,149	821	1,320	2,498	3,256	502
■ <b>Net Increase (Decrease) In Inventories</b>	-421	-2,768	-2,900	-3,107	-770	-1,711	-1,048	-1,101	-605
■ <b>Existing Stores</b>	145	934	899	666	463	1,006	356	348	340
■ <b>New Stores</b>	285	1,901	2,082	2,620	463	962	1,113	1,292	321
■ <b>Other Stores</b>	-9	-31	-24	-100	-129	-203	-339	-355	10
■ <b>Valuation Charge</b>	-	-38	-57	-79	-27	-55	-82	-183	-66
■ <b>Other</b>	-716	1,084	-1,070	-711	-248	216	-1,070	-352	-615
Cash Flow from Investments	-225	-1,102	-1,379	-1,678	-145	-402	-479	-538	-138
Cash Flow from Financing	372	990	3,044	2,383	20	78	491	-371	-227
Free Cash Flow	-618	-1,667	-3,073	-2,347	-342	-576	-99	1,217	-856
Reference									
<b>Number of existing stores</b> (unit: stores)	203	215	211	219	226	254	261	272	282
<b>Inventory change per existing store during the term</b>	0.7	4.3	4.2	3.0	2.0	3.9	1.3	1.2	1.2

**Inventory Turnover**



※Cash flows are unaudited and calculated on a simplified method.





# Outside Titicaca Stores

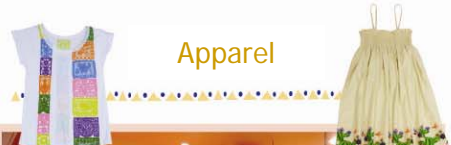


Started as a folk art shop, with its signs and store fixtures hand-made by staff, in order to replicate a South American market feel

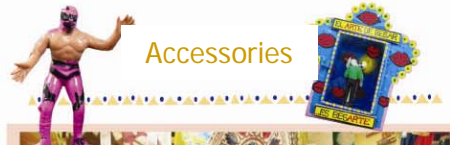
Warm and natural store interior, offsetting colorful merchandise

Image of a Mexican resort hotel. Exciting store that makes you feel as if you are traveling.

# Inside Titicaca Stores



Apparel



Accessories



Silver Accessories



# Titicaca – Results



## 1. Income Statement

Titicaca Income Statement (Million Yen)	FY05/09				FY05/10				FY05/11			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2 Est.	Q3 Est.	Q4 Est.
<b>Sales</b>	<b>251</b>	<b>322</b>	<b>306</b>	<b>299</b>	<b>361</b>	<b>474</b>	<b>416</b>	<b>467</b>	<b>579</b>	<b>594</b>	<b>519</b>	<b>529</b>
<b>Operating Profit</b>	<b>10</b>	<b>26</b>	<b>7</b>	<b>-7</b>	<b>23</b>	<b>55</b>	<b>-10</b>	<b>-2</b>	<b>66</b>	<b>39</b>	<b>8</b>	<b>-7</b>
<b>Recurring Profit</b>	<b>8</b>	<b>21</b>	<b>5</b>	<b>-9</b>	<b>20</b>	<b>50</b>	<b>-13</b>	<b>-8</b>	<b>60</b>	<b>29</b>	<b>1</b>	<b>-14</b>
<b>Net Profit</b>	<b>8</b>	<b>20</b>	<b>3</b>	<b>-40</b>	<b>18</b>	<b>48</b>	<b>-14</b>	<b>12</b>	<b>26</b>	<b>18</b>	<b>1</b>	<b>-8</b>
Sales YoY	25.1%	50.5%	45.0%	45.1%	43.6%	47.2%	35.9%	56.2%	60.2%	25.3%	24.8%	13.3%
Operating Profit YoY	-5.1%	-	-	-	124.8%	111.5%	-	-	180.3%	-29.1%	-	-
Recurring Profit YoY	-12.4%	-	-	-	143.6%	138.1%	-	-	202.8%	-42.0%	-	-
Net Profit YoY	-15.1%	-	-	-	125.6%	140.0%	-	-	41.4%	-62.5%	-	-
Operating Profit Margins	4.0%	8.1%	2.3%	-	6.4%	11.6%	-	-	11.4%	6.6%	1.5%	-
Recurring Profit Margins	3.2%	6.5%	1.6%	-	5.5%	10.5%	-	-	10.4%	4.9%	0.2%	-
Net Profit Margins	3.2%	6.2%	1.0%	-	5.0%	10.1%	-	2.6%	4.5%	3.0%	0.2%	-
Sales vs Plan	100.0%	97.0%	96.8%	93.3%	96.8%	97.3%	86.3%	88.8%	109.3%			
Operating Profit vs Plan	95.4%	119.7%	54.8%	-	116.9%	130.8%	-	-	188.1%			
Recurring Profit vs Plan	100.0%	115.3%	51.1%	-	124.7%	136.2%	-	-	226.0%			
Net Profit vs Plan	100.0%	108.3%	30.6%	-	118.3%	127.4%	-	92.3%	262.7%			

Source: Company Data Processed by SR Inc.

Figures may differ from company materials due to differences in rounding methods.

# Titicaca – Results



## 1) Sales 9.3% above budget (+49 million yen vs. budget)

Store Types	Actual vs. Budget	Amount vs. Budget	Breakdown
Comp. Stores	+7.6%	+26 million yen	Q1 comparable store sales were +11.5% YoY vs. budget of +5.0% YoY.
New Stores	+14.5%	+22 million yen	Strong sales in new stores. The two new stores sales were 15 million yen above budget.
Wholesale and FC	-0.4%	-0.1 million yen	Wholesale -4.0% YoY due to the decrease in the number of customer companies. FC +22.9% YoY.

## 2) SG&A -0.4% vs. budget (-1.1 million yen vs. budget)

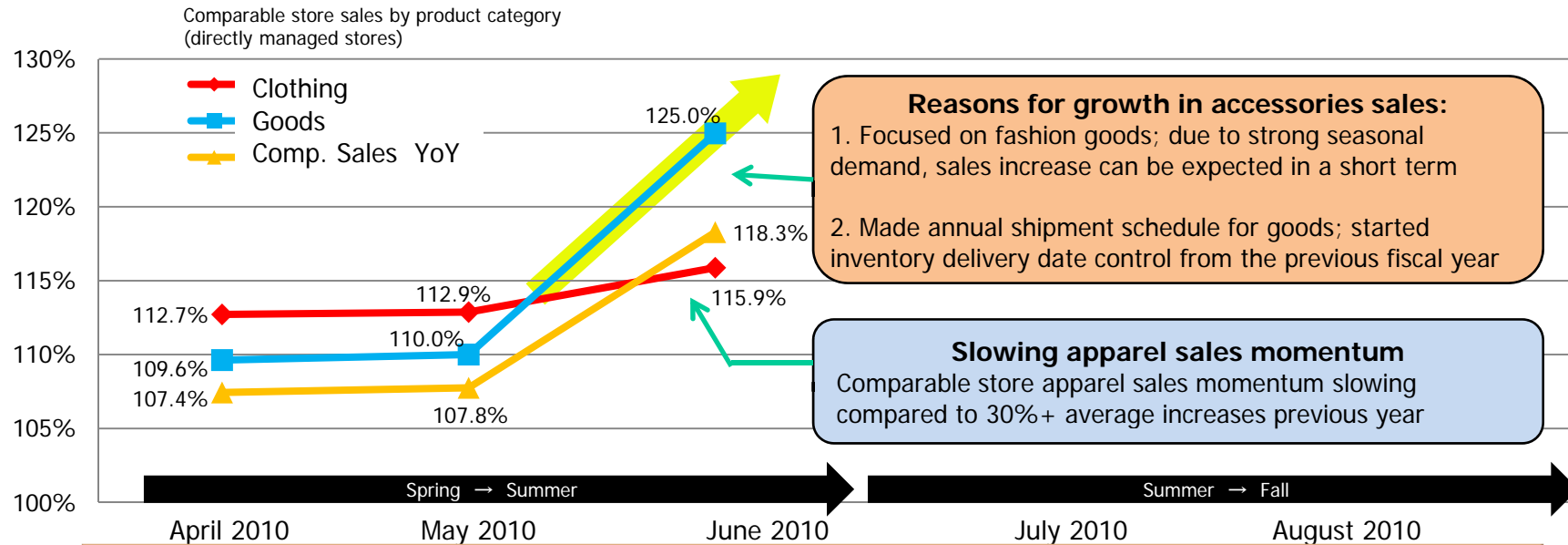
Achieved budget although rent and other costs rose in proportion to the growth of store sales

Major items	vs. Budget (Million yen)	
Store rent and promotion etc.	+4.6	Sales performance linked rent increased as store sales exceeded budget Distribution costs also rose in proportion to the number of shipments from warehouses to stores
Distribution consignment	+2.4	
Labor cost	-5	Shortage of sales staff, due to problems with recruitment
Supplies	-1.2	
Traveling expenses	-1	

Some of the costs rose as sales grew but the rate of cost increases was no higher than the rate of increase in sales



## 2. Comparable store sales : +11.5% YoY in Q1



**Reasons for growth in accessories sales:**

1. Focused on fashion goods; due to strong seasonal demand, sales increase can be expected in a short term
2. Made annual shipment schedule for goods; started inventory delivery date control from the previous fiscal year

**Slowing apparel sales momentum**  
Comparable store apparel sales momentum slowing compared to 30%+ average increases previous year

**Measures:**

- 1) Accessories: stronger focus on seasonal items and continued control of delivery times
- 2) Apparel: focus on a narrow range of popular items

**Favorable Q1 comparable store sales for accessories (FY05/11: +14.9% vs. FY05/10: -4.0%)**

More focus on seasonal items. Continue the “sell the most suited items for the season” approach

**Slower comparable store sales in apparel in Q1; FY05/11: +13.8% vs. FY05/10: +31.2%**

Concentration on popular items and resulting changes in store displays and customer service

# Company Profile

Village Vanguard (Hong Kong) Limited

(Consolidated from FY05/11)

# Inside VVHK stores



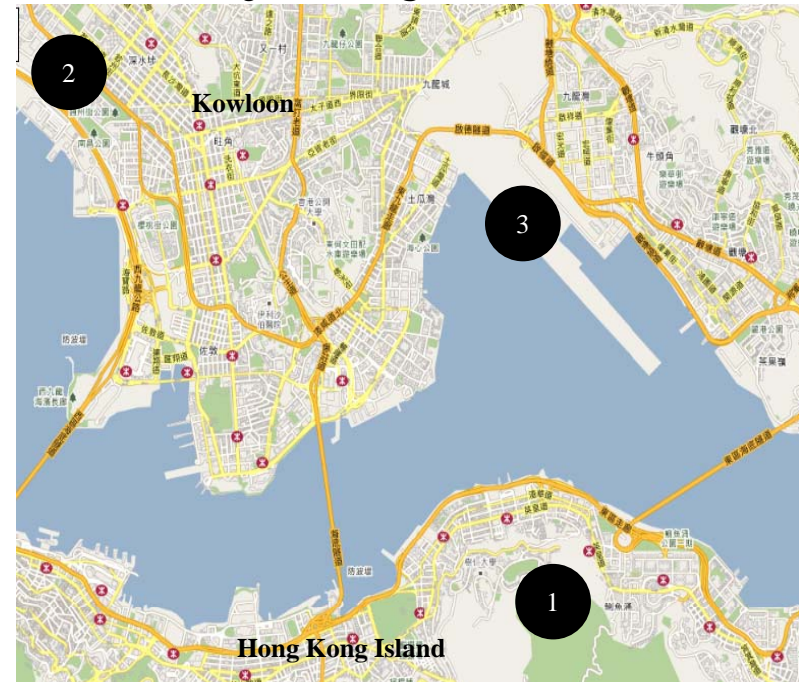


# Performance Report (VVHK)

FY05/11 Plans and Results (Million Yen)		Q1 (Plan)	Q1 (Results)	Q2 (Plan)	Q3 (Plan)	Q4 (Plan)
Sales		51	36	102	162	209
Gross Profit		23	15	46	73	94
Operating Profit		-11	-10	-17	-19	-26
Recurring Profit		-11	-10	-17	-19	-26
Net Profit		-11	-10	-17	-19	-26
Sales vs Plan			70.4%			
Gross Profit vs Plan			67.9%			
Operating Profit vs Plan			118.2%			
Recurring Profit vs Plan			115.3%			
Net Profit vs Plan			115.3%			

## Existing Stores

3 Directly Managed Stores



#1 opened on Nov. 2009 at JUSCO Kornhill  
(Temporarily closed since July 2010)

#2 opened on Dec. 2009 at Dragon Center

#3 opened on Jun. 2010 at Megabox

## New stores

No plans of opening new stores

## Towards positive operating profit

### **Improving in-store merchandising**

Failing to create a retail experience that truly reflects VV's unique model.  
=> On-the-job training in Japan to learn the VV way of selling.

### **Discovering customer needs and reflecting them in merchandising**

Procurement by the Japanese staff members failed to satisfy local needs  
=> Shifting to procurement by local staff to reflect local consumer tastes

### **Controlling distribution costs**

Distribution cost is high as most of the merchandise is transported from Japan  
=> Development local sourcing channels  
=> Shifting from exclusively using air transport to a combination of air and ship transport to deliver merchandise