

# FY05/12 Results Presentation

VILLAGE/VANGUARD  
EXCITING BOOK STORE

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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.

# Income Statement (Consolidated)

Income Statement (Million Yen)	FY05/11				FY05/12				FY05/13			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1 Est.	Q2 Est.	Q3 Est.	Q4 Est.
<b>Sales</b>	<b>9,359</b>	<b>9,125</b>	<b>11,397</b>	<b>9,926</b>	<b>10,158</b>	<b>10,005</b>	<b>12,279</b>	<b>10,500</b>	<b>10,068</b>	<b>9,947</b>	<b>12,174</b>	<b>10,593</b>
SG&A	3,120	3,265	3,401	3,429	3,460	3,593	3,806	3,826	3,773	3,934	4,097	4,184
Labor	1,471	1,486	1,526	1,567	1,636	1,647	1,716	1,739	1,794	1,815	1,867	1,914
Rent	828	824	991	887	915	928	982	1,088	952	962	1,128	1,029
Depreciation	113	125	119	136	121	131	139	150	131	149	170	188
<b>Operating Profit</b>	<b>781</b>	<b>620</b>	<b>1,372</b>	<b>721</b>	<b>852</b>	<b>643</b>	<b>1,375</b>	<b>532</b>	<b>427</b>	<b>267</b>	<b>992</b>	<b>257</b>
<b>Recurring Profit</b>	<b>790</b>	<b>643</b>	<b>1,391</b>	<b>746</b>	<b>877</b>	<b>676</b>	<b>1,405</b>	<b>556</b>	<b>447</b>	<b>284</b>	<b>1,009</b>	<b>272</b>
<b>Net Income</b>	<b>267</b>	<b>299</b>	<b>733</b>	<b>380</b>	<b>404</b>	<b>347</b>	<b>734</b>	<b>68</b>	<b>218</b>	<b>141</b>	<b>508</b>	<b>110</b>
Sales YoY	8.4%	10.3%	10.8%	5.0%	8.5%	9.6%	7.7%	5.8%	-0.9%	-0.6%	-0.9%	0.9%
SG&A YoY	11.4%	13.4%	10.8%	10.0%	10.9%	10.1%	11.9%	11.6%	9.0%	9.5%	7.6%	9.4%
Labor YoY	17.8%	19.3%	15.0%	12.5%	11.3%	10.8%	12.5%	11.0%	9.7%	10.2%	8.8%	10.1%
Rent YoY	9.9%	12.6%	12.2%	8.6%	10.5%	12.6%	-0.9%	22.7%	4.0%	3.7%	14.9%	-5.4%
Depreciation YoY	11.2%	15.7%	5.3%	13.3%	6.8%	4.8%	16.8%	10.3%	8.3%	13.7%	22.3%	25.3%
Operating Profit YoY	-2.2%	13.1%	14.0%	-4.5%	9.1%	3.7%	0.2%	-26.3%	-49.9%	-58.5%	-27.9%	-51.7%
Recurring Profit YoY	-2.8%	14.6%	14.7%	-2.9%	11.0%	5.1%	1.0%	-25.5%	-49.0%	-58.0%	-28.2%	-51.1%
Net Income YoY	-42.0%	0.0%	14.4%	-11.6%	50.9%	16.0%	0.2%	-82.2%	-46.1%	-59.3%	-30.8%	62.2%
Operating Profit Margin	8.3%	6.8%	12.0%	7.3%	8.4%	6.4%	11.2%	5.1%	4.2%	2.7%	8.1%	2.4%
Recurring Profit Margin	8.4%	7.0%	12.2%	7.5%	8.6%	6.8%	11.4%	5.3%	4.4%	2.9%	8.3%	2.6%
Net Profit Margin	2.9%	3.3%	6.4%	3.8%	4.0%	3.5%	6.0%	0.6%	2.2%	1.4%	4.2%	1.0%
Versus plan												
Sales	0.9%	1.9%	-0.3%	-0.9%	-0.4%	-0.5%	-0.5%	-5.2%				
SG&A	-1.8%	-2.2%	1.3%	-2.4%	0.1%	0.0%	1.8%	0.6%				
Operating Profit	11.4%	47.3%	5.3%	14.4%	4.7%	1.7%	-5.5%	-35.3%				
Recurring Profit	13.0%	51.3%	4.3%	18.4%	5.4%	5.3%	-4.0%	-33.2%				
Net Income	15.6%	37.8%	11.1%	21.8%	3.7%	6.0%	-8.3%	-84.1%				

# BS (Consolidated)

Balance Sheet (Million Yen)	FY05/11				FY05/12				FY05/13			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1 Est.	Q2 Est.	Q3 Est.	Q4 Est.
Cash & Deposit	3,045	3,378	3,582	3,972	2,586	2,865	2,773	3,570	3,414	3,120	3,294	3,076
Inventories	16,182	17,044	16,726	16,950	17,827	19,175	19,007	18,669	19,119	19,922	19,296	19,204
Other	2,977	2,630	2,675	2,859	3,411	2,960	2,914	2,675	3,201	2,686	2,670	2,761
<b>Current Assets</b>	<b>22,205</b>	<b>23,053</b>	<b>22,984</b>	<b>23,782</b>	<b>23,825</b>	<b>25,002</b>	<b>24,695</b>	<b>24,914</b>	<b>25,735</b>	<b>25,728</b>	<b>25,261</b>	<b>25,043</b>
<b>Fixed Assets</b>	<b>4,599</b>	<b>4,668</b>	<b>4,780</b>	<b>5,226</b>	<b>5,335</b>	<b>5,496</b>	<b>5,534</b>	<b>5,525</b>	<b>5,675</b>	<b>5,870</b>	<b>6,066</b>	<b>6,392</b>
<b>Total Assets</b>	<b>26,805</b>	<b>27,721</b>	<b>27,765</b>	<b>29,009</b>	<b>29,160</b>	<b>30,498</b>	<b>30,229</b>	<b>30,439</b>	<b>31,410</b>	<b>31,599</b>	<b>31,328</b>	<b>31,435</b>
<b>Current Liabilities</b>	<b>8,118</b>	<b>8,338</b>	<b>7,858</b>	<b>8,748</b>	<b>8,893</b>	<b>9,266</b>	<b>8,354</b>	<b>8,332</b>	<b>8,732</b>	<b>8,806</b>	<b>7,997</b>	<b>8,024</b>
<b>Fixed Liabilities</b>	<b>4,310</b>	<b>4,711</b>	<b>4,507</b>	<b>4,485</b>	<b>4,199</b>	<b>4,820</b>	<b>4,716</b>	<b>4,890</b>	<b>5,343</b>	<b>5,317</b>	<b>5,347</b>	<b>5,318</b>
<b>Total Liabilities</b>	<b>12,428</b>	<b>13,049</b>	<b>12,365</b>	<b>13,233</b>	<b>13,092</b>	<b>14,086</b>	<b>13,070</b>	<b>13,222</b>	<b>14,075</b>	<b>14,123</b>	<b>13,344</b>	<b>13,342</b>
<b>Net Assets</b>	<b>14,376</b>	<b>14,671</b>	<b>15,399</b>	<b>15,775</b>	<b>16,067</b>	<b>16,441</b>	<b>17,158</b>	<b>17,217</b>	<b>17,334</b>	<b>17,475</b>	<b>17,982</b>	<b>18,092</b>

Cash Flow Statement (Million Yen)	FY05/11				FY05/12				FY05/13			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1 Est.	Q2 Est.	Q3 Est.	Q4 Est.
<b>Operating Cash Flow</b>	<b>-730</b>	<b>-347</b>	<b>-111</b>	<b>1,143</b>	<b>-1,053</b>	<b>-773</b>	<b>-876</b>	<b>558</b>	<b>-516</b>	<b>-84</b>	<b>-634</b>	<b>902</b>
Change in Inventories	-644	-1,506	-1,191	-1,415	-881	-2,228	-2,056	-1,720	-449	-1,252	-627	-535
Other	-86	1,854	1,079	2,559	-171	1,454	1,179	2,277	-66	1,168	-7	1,438
<b>Investment Cash Flow</b>	<b>-156</b>	<b>-428</b>	<b>-669</b>	<b>-1,218</b>	<b>-329</b>	<b>-618</b>	<b>-843</b>	<b>-1,131</b>	<b>-186</b>	<b>-470</b>	<b>-683</b>	<b>-1,187</b>
Change in Tangible Fixed Assets	-93	-234	-374	-684	-188	-360	-505	-677	-133	-320	-458	-588
Change in Other Assets	-63	-194	-295	-534	-140	-257	-338	-453	-53	-149	-225	-598
Financing Cash Flow	-141	80	290	-24	0	288	522	171	547	105	1,042	-208
<b>Operating CF + Investment CF</b>	<b>-886</b>	<b>-776</b>	<b>-780</b>	<b>-75</b>	<b>-1,382</b>	<b>-1,392</b>	<b>-1,719</b>	<b>-572</b>	<b>-703</b>	<b>-554</b>	<b>-1,318</b>	<b>-285</b>

# Parent Company

Village Vanguard Corporation

# What We Do



## ■ Village Vanguard

Our concept is "A bookstore where you can play." By bringing together various products such as books, variety goods, and CDs, our stores have a unique feel.



## ■ Diner

An old-school hamburger shop modeled after an American diner.



## ■ new style

For those who want to be particular about their style, both at work and at play—a new style for you.



## ■ QK

"Exciting book store for kids"  
Kids can have their own entertainment.  
We offer excitement beyond just toys.

# Examples of Our Merchandising Approach (1)

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

For example, merchandise themed around "Turn your room into a bar"

Jazz is the best accompaniment when having a drink...



Lemon Squeezer

Books to read while drinking a daiquiri:

- *The Old Man and the Sea*
- *Hemingway's Favorites*
- *Factotum*

"Tokyo hard-boiled" genre books:

- *Tokyo Shark*
- *Inspired*

Merchandise themed around "365-days of Camera living"

Merchandise for Camera Lovers

- Camera-shaped Shoulder bag
- Camera-shaped hand mirror

Toy Camera "HOLGA"  
Very popular among photographers and artists

Photography book and DVD including airborne imagery of night scenes of Tokyo



A tool becomes truly supportive when you use it properly.

**Referred Books for the Idyllic Life with Camera**

- Paperbook: "Sightseeing for Buddha's Statue on a Sunny Day"
- Paperbook: "School Trip for adults in Kyoto"
- Paperbook: "Day walk for Elderly with Camera"

Tokyo Night Flight

Urban relaxation... Turn off the lights and enjoy the great scenery with a cocktail.



# Examples of Our Merchandising Approach (2)





We delegate both purchasing and sales decisions to the store level

## Marketing

- Pursue customer needs in each store



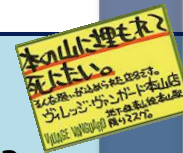
## Purchasing

- 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 absolute discretion**

Head Office

Authority



Each Store

Create a retail space that answers the unique needs of each store's customers, in real time

Store level ideas driving impulse buying and customer loyalty



- Hiring people who really understand the company
- Even temporary staff are allowed to make purchasing decisions
- Long-term practical on-the-job training



## Role

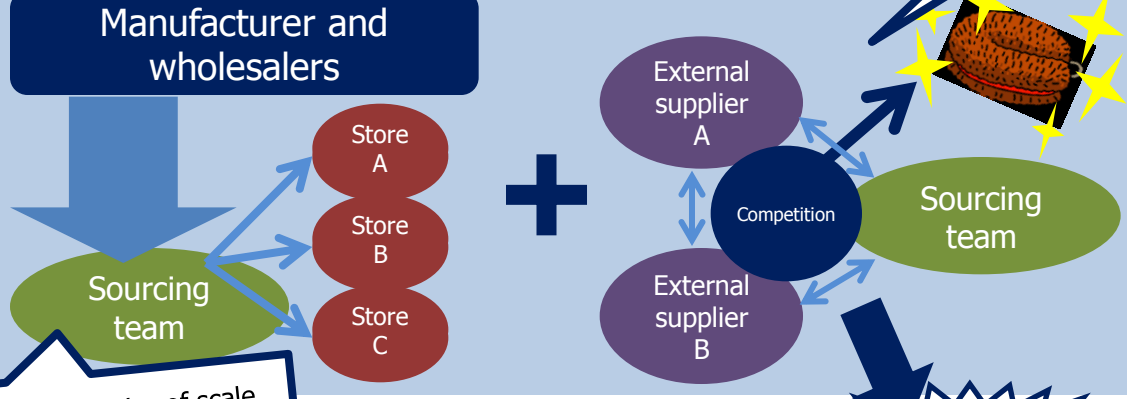
The teams assume the role of in-house wholesaling teams, proposing products to stores through marketing activities.



## Functions

- (1) Reducing costs by taking advantage of economies of scale
- (2) Creating competition to promote a "product refining" effect

(2) "product refining" effect



(1) Economies of scale

## Organization

Promoting competition by splitting the sourcing teams into two.

### Operational policy:

- (1) Only the sourcing teams who introduce a product can handle that product.
- (2) Both teams market to the same stores.



# Store Network (Parent)

Store data as of end-May 2012

**390** stores nationwide

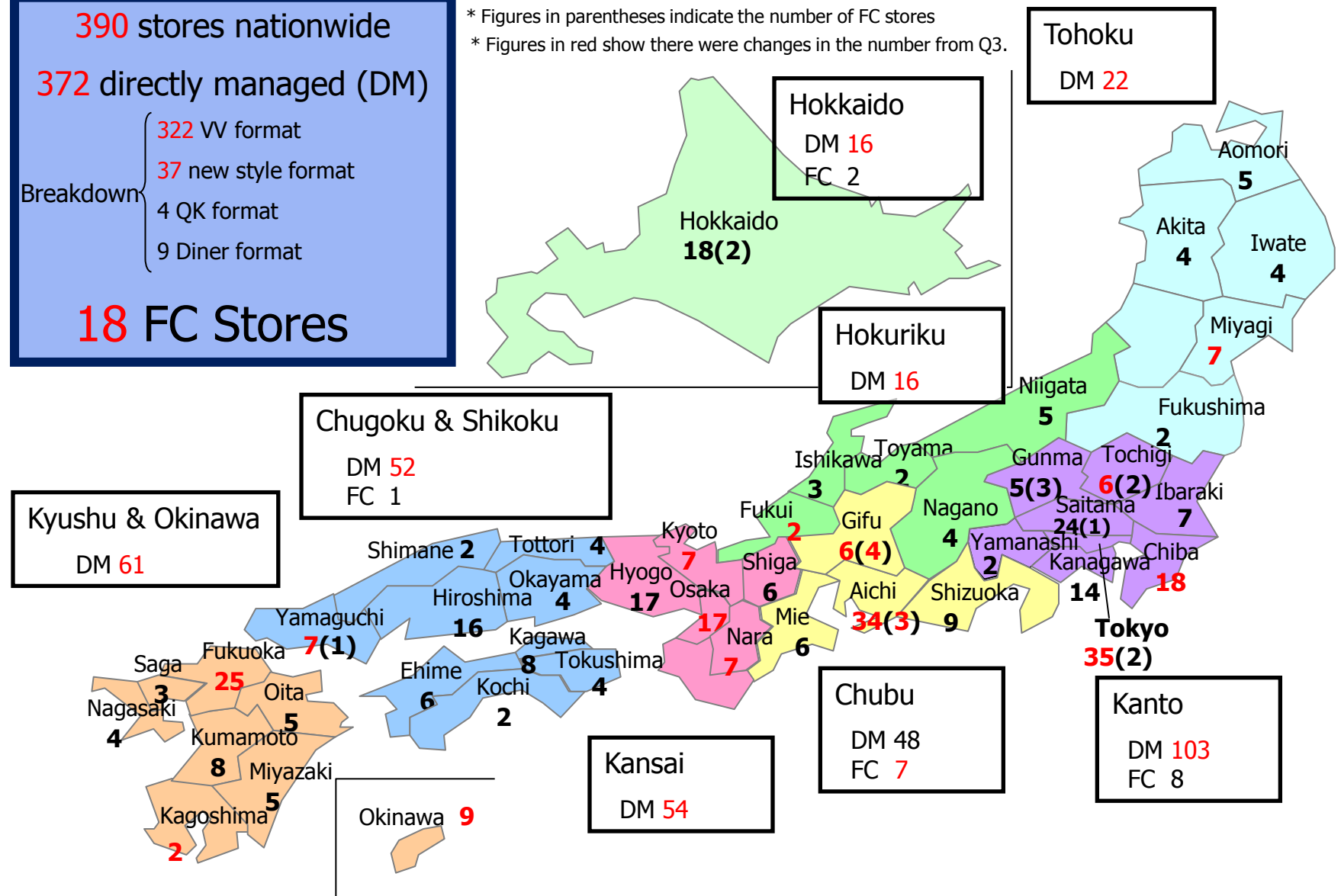
**372** directly managed (DM)

Breakdown

- 322 W format
- 37 new style format
- 4 QK format
- 9 Diner format

**18** FC Stores

\* Figures in parentheses indicate the number of FC stores  
 \* Figures in red show there were changes in the number from Q3.



# VV – Results (Parent)

# Parent Income Statement

Q3 and Q4 FY05/11 Versus Plan figures reflect performance vs. revised budgets.

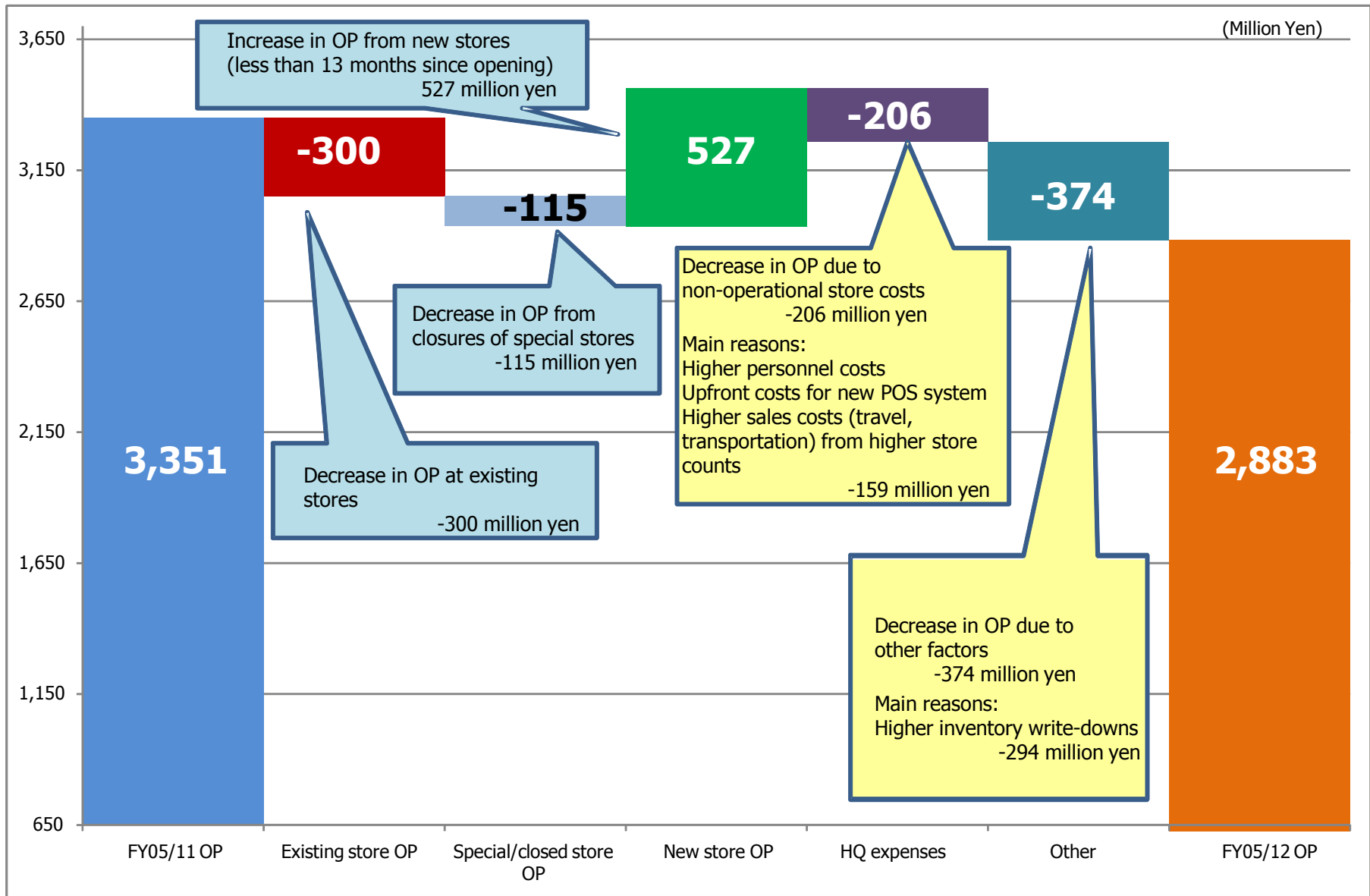
Parent Income Statement (Million Yen)	FY05/11				FY05/12				FY05/13			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1 Est.	Q2 Est.	Q3 Est.	Q4 Est.
<b>Sales</b>	<b>8,783</b>	<b>8,402</b>	<b>10,776</b>	<b>9,315</b>	<b>9,306</b>	<b>8,863</b>	<b>11,254</b>	<b>9,509</b>	<b>8,822</b>	<b>8,223</b>	<b>10,659</b>	<b>9,089</b>
<b>Gross Profit</b>	<b>3,500</b>	<b>3,403</b>	<b>4,354</b>	<b>3,739</b>	<b>3,738</b>	<b>3,432</b>	<b>4,501</b>	<b>3,690</b>	<b>3,396</b>	<b>3,136</b>	<b>4,110</b>	<b>3,500</b>
SG&A	2,762	2,869	3,015	2,998	2,984	3,032	3,248	3,214	3,076	3,137	3,297	3,339
Labor	1,306	1,318	1,354	1,378	1,420	1,412	1,478	1,484	1,485	1,495	1,527	1,552
Rent	746	732	906	798	808	793	975	843	799	760	942	834
Depreciation	97	107	99	114	96	101	104	111	91	104	113	127
<b>Operating Profit</b>	<b>738</b>	<b>534</b>	<b>1,339</b>	<b>740</b>	<b>754</b>	<b>399</b>	<b>1,254</b>	<b>476</b>	<b>319</b>	<b>-1</b>	<b>813</b>	<b>161</b>
<b>Recurring Profit</b>	<b>759</b>	<b>564</b>	<b>1,368</b>	<b>771</b>	<b>788</b>	<b>441</b>	<b>1,299</b>	<b>509</b>	<b>353</b>	<b>30</b>	<b>843</b>	<b>189</b>
<b>Net Income</b>	<b>266</b>	<b>273</b>	<b>731</b>	<b>431</b>	<b>364</b>	<b>229</b>	<b>679</b>	<b>-35</b>	<b>173</b>	<b>-1</b>	<b>414</b>	<b>64</b>
Sales YoY	6.2%	7.3%	9.0%	3.4%	6.0%	5.5%	4.4%	2.1%	-5.2%	-7.2%	-5.3%	-4.4%
Gross Profit YoY	4.4%	7.0%	-3.9%	6.5%	6.8%	-5.6%	5.1%	-2.6%	-9.1%	-8.6%	-8.7%	-5.1%
Operating Profit YoY	-5.9%	2.9%	9.9%	-3.6%	2.2%	-25.3%	-6.3%	-35.7%	-57.7%	-100.3%	-35.2%	-66.2%
Recurring Profit YoY	-5.9%	4.3%	10.8%	-2.5%	3.8%	-21.8%	-5.1%	-34.0%	-55.2%	-93.2%	-35.1%	-62.9%
Net Income YoY	-41.5%	-1.8%	10.1%	0.5%	36.7%	-16.1%	-7.1%	-108.1%	-52.5%	-100.4%	-39.0%	-282.9%
Gross Profit Margin	39.8%	40.5%	40.4%	40.1%	40.2%	38.7%	40.0%	38.8%	38.5%	38.1%	38.6%	38.5%
Operating Profit Margin	8.4%	6.4%	12.4%	7.9%	8.1%	4.5%	11.1%	5.0%	3.6%	-	7.6%	1.8%
Recurring Profit Margin	8.6%	6.7%	12.7%	8.3%	8.5%	5.0%	11.5%	5.4%	4.0%	0.4%	7.9%	2.1%
Net Profit Margin	3.0%	3.2%	6.8%	4.6%	3.9%	2.6%	6.0%	-0.4%	2.0%	-	3.9%	0.7%
Versus Plan												
Sales	0.6%	1.3%	-0.4%	-2.0%	-0.5%	-0.8%	-0.7%	-5.9%				
Gross Profit	0.1%	2.6%	2.6%	-1.7%	0.7%	-3.0%	-1.4%	-8.6%				
SG&A	-1.6%	-2.8%	0.9%	-4.5%	0.2%	0.1%	2.4%	0.2%				
Operating Profit	7.3%	45.1%	6.9%	12.0%	2.5%	-21.6%	-10.2%	-42.4%				
Recurring Profit	8.4%	47.3%	6.0%	14.7%	3.6%	-17.1%	-8.3%	-39.9%				
Net Income	8.1%	35.1%	11.3%	24.9%	1.3%	-16.4%	-13.3%	-108.0%				



# Sales by Category

Sales by Category (Million Yen)	FY05/10				FY05/11				FY05/12			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
SPICE (Parent)	6,193	5,926	7,785	6,904	6,780	6,461	8,609	7,177	7,361	6,999	9,216	7,684
(Internal Sourcing Team)	1,578	1,565	2,297	1,904	1,752	1,770	2,713	2,088	2,217	2,214	3,116	2,310
(Other)	4,614	4,361	5,489	5,000	5,027	4,691	5,896	5,090	5,143	4,786	6,100	5,374
Books (Parent)	1,045	997	1,147	1,117	1,023	1,039	1,178	1,156	1,043	993	1,114	1,040
NM (Parent)	844	664	771	769	790	719	804	792	734	712	772	594
Other (Parent)	189	238	185	218	188	184	184	190	167	158	152	192
<b>Sales</b>	<b>8,271</b>	<b>7,825</b>	<b>9,888</b>	<b>9,008</b>	<b>8,783</b>	<b>8,402</b>	<b>10,776</b>	<b>9,315</b>	<b>9,305</b>	<b>8,864</b>	<b>11,254</b>	<b>9,509</b>
<b>Composition</b>												
SPICE (Parent)	74.9%	75.7%	78.7%	76.6%	77.2%	76.9%	79.9%	77.0%	79.1%	79.0%	81.9%	80.8%
(Internal Sourcing Team)	19.1%	19.5%	20.9%	21.0%	20.0%	20.5%	22.3%	22.4%	23.8%	25.0%	27.7%	24.3%
(Other)	55.8%	55.8%	55.7%	55.6%	57.2%	56.6%	55.8%	54.6%	55.3%	54.0%	54.2%	56.5%
Books (Parent)	12.6%	12.7%	11.6%	12.4%	11.6%	12.4%	10.9%	12.4%	11.2%	11.2%	9.9%	10.9%
NM (Parent)	10.2%	8.5%	7.8%	8.5%	9.0%	8.6%	7.5%	8.5%	7.9%	8.0%	6.9%	6.2%
Other (Parent)	2.3%	3.0%	1.9%	2.4%	2.1%	2.2%	1.7%	2.0%	1.8%	1.8%	1.4%	2.0%

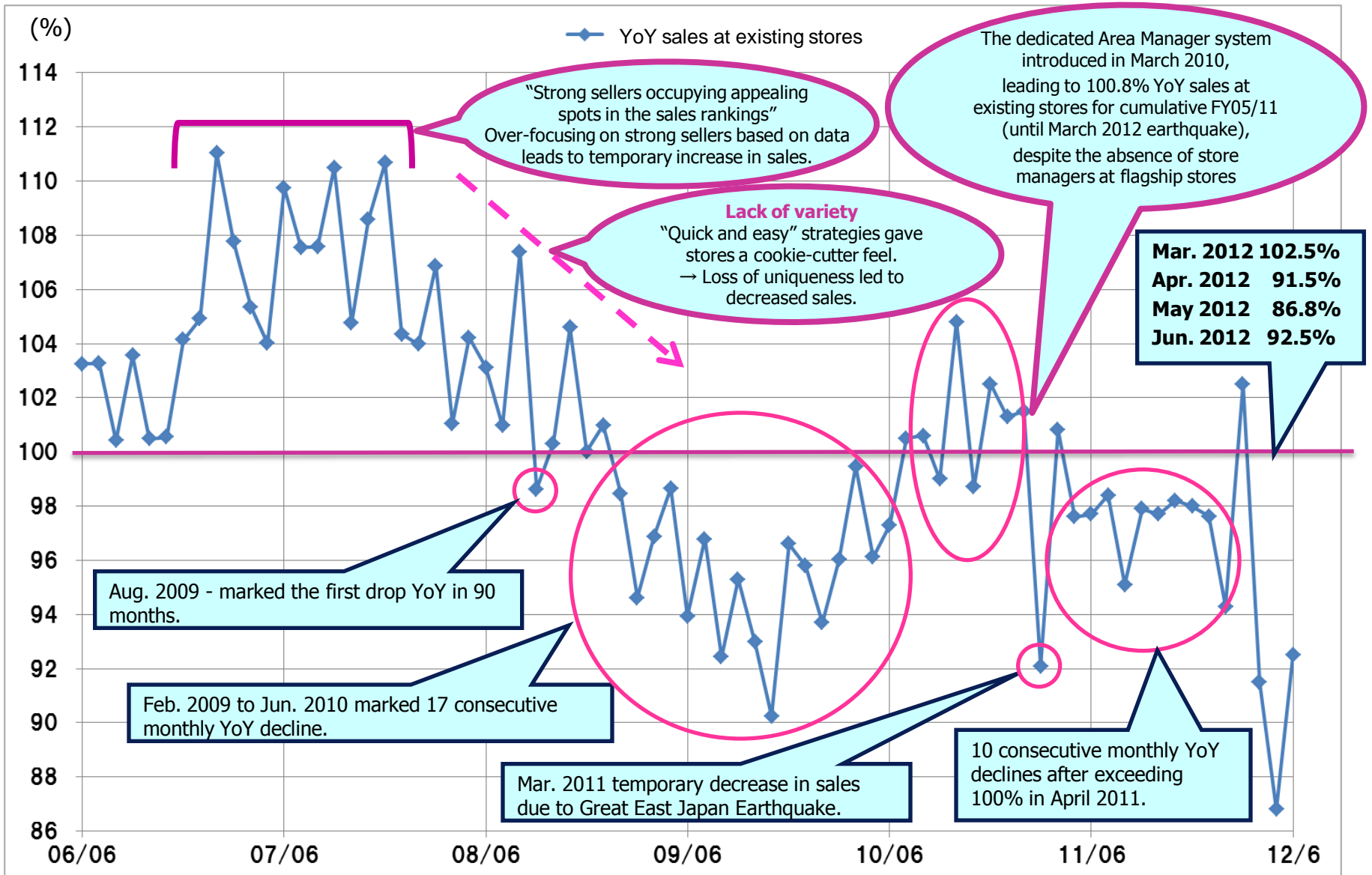
# OP Analysis



# Store Openings

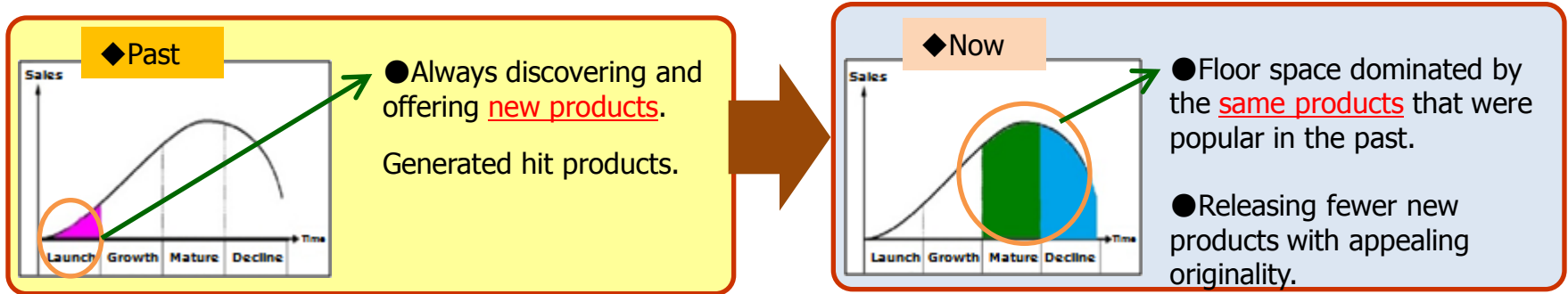
	FY05/10 Actual	FY05/11 Actual	FY05/12 Plan and Actual		FY05/13 Plan				
			FY	FY	Plan	Actual	Q1	Q2	Q3
	Plan								
<b>Openings</b>	34	46	25	38	7	8	4	6	25
Village Vanguard	30	39	21	30	6	5	3	6	20
new style	1	7	4	7	1	3	1	0	5
QK	0	0	0	1	0	0	0	0	0
Diner	1	0	0	0	0	0	0	0	0
FC	2	0	0	0	0	0	0	0	0
<b>Closures</b>	12	15	2	13	5	2	4	2	13
Village Vanguard	6	8	0	4	3	2	4	2	11
new style	0	0	0	2	1	0	0	0	1
QK	0	4	1	2	0	0	0	0	0
Diner	0	0	1	1	0	0	0	0	0
FC	6	3	0	4	1	0	0	0	1
<b>Net Increase</b>	22	31	23	25	2	6	0	4	12

# Year on Year Retail Sales at Existing Stores

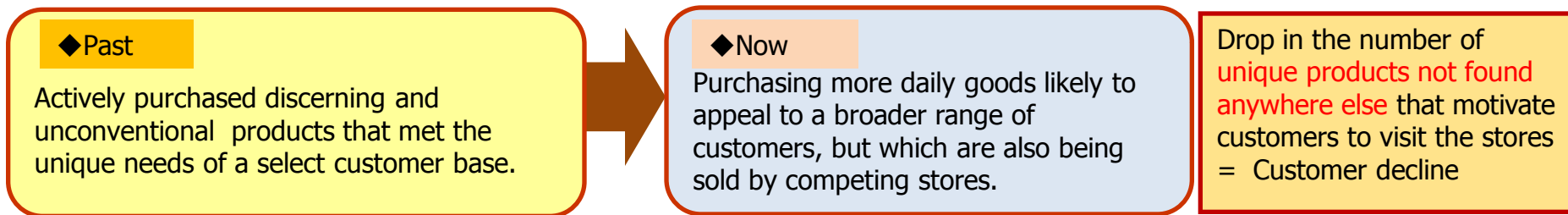


## Factors behind Sluggish Sales

### Factor 1: Sales floors dominated by existing products



### Factor 2: Daily goods dominating floor space with fewer unconventional and unique products



Declining number of customers due to shrinking lineup of **original and appealing products**, which had been the company's forte.

# Business Turnaround Scenario

## Reform without clinging to past experiences

### Existing Business Reforms

1. Sharing tacit knowledge
2. Introduction of POS system



Continue practical OJT and conventional marketing, while . . .

1. Aiming to **quickly raise frontline capabilities** to a certain level by broadly sharing expertise originally obtained as tacit knowledge.
2. Stores better able to quickly grasp sales data for use in **marketing activities**.

### New Investment-based Reforms

1. Develop new business models
2. M&A
3. Overseas business development



Establish **new revenue bases** through strategic investment.



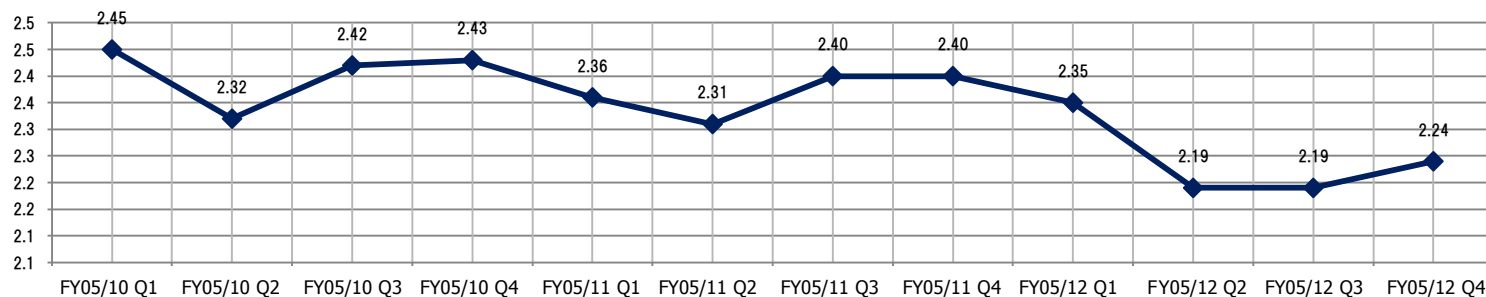
Create new spaces offering excitements

## Inventory Control

Existing Store Inventory Trends

(Million Yen)	FY05/10 Q4	FY05/11 Q1	FY05/11 Q2	FY05/11 Q3	FY05/11 Q4	FY05/12 Q1	FY05/12 Q2	FY05/12 Q3	FY05/12 Q4
Cash Flow from Operations	1,756	-718	-523	-214	1,042	-950	-1,061	-1,132	102
■ Net Income before Tax	3,256	502	1,015	2,371	3,065	672	1,098	2,390	2,696
■ Net Change in Inventories	-1,101	-605	-1,493	-1,112	-1,206	-844	-2,139	-1,969	-1,465
Existing Stores	348	340	760	301	215	603	1,454	1,326	342
New Stores	1,292	321	832	1,296	1,725	393	817	1,024	1,356
Other	-538	-56	-101	-486	-734	-152	-132	-382	-234
■ Other	-352	-615	-45	-1,473	-816	-778	-20	-1,553	-1,129
Cash Flow from Investment	-538	-138	-393	-558	-1,005	-211	-379	-531	-776
Cash Flow from Financing	-371	-227	-43	225	-542	38	-55	336	-491
Free Cash Flow	1,217	-856	-916	-772	37	-1,161	-1440	-1,663	-674
Reference									
Number of Existing Stores (stores)	272	282	284	283	292	291	302	304	320
Inventory Change per Existing Store during the Term	1.2	1.2	2.6	1.0	0.7	2.0	4.8	4.3	1.0

Inventory Turnover



\* Cash flows are unaudited and are calculated on a simplified basis.



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# Company Overview (Titicaca)



- Company name: Titicaca Co.
- Shareholder composition: Village Vanguard Co., Ltd. (100%)
- Business: Import and sales of ethnic fashions and daily goods
- Headquarters: 2-2-3 Shin-Yokohama, Kohoku-ku, Yokohama, Kanagawa Prefecture
- Representative: Hitoshi Kinami, Managing Director
- Established: July 2005 (founded: May 1977)
- Capital: 99,000,000 yen (as of end-March 2012)
- Net assets: 504,000,000 yen (same as above)
- Total assets: 3,969,000,000 yen (same as above)
- Sales: 3,968,000,000 yen (same as above)
- Recurring profit: 585,000,000 yen (same as above)
- Net profit: 301,000,000 yen (same as above)
- No. of stores: 82 (80 directly managed stores and 2 franchises) (as of end-May 2012)
- No. of employees: 127 full-time employees and 293 part-time workers (same as above)



Hitoshi Kinami

# Outside Titicaca Stores



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Shibuya store  
(Shibuya, Tokyo)

Lake Town store  
(Koshigara, Saitama)

Yume Town Beppu store  
(Beppu, Oita)



Early days



Now

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

Warm, natural store interior, emphasizing colorful merchandise.

Image of a Mexican resort hotel. An exciting store that makes visitors feel as if they are traveling.

# Outside of New Stores



## New Store Design Concept

“Cheer customers up with colorful stores full of fun!”  
These new stores were designed in the motif of Mexican resort hotels. Wooden racks, glass lamps and hanger closets used for merchandise display are actually brought from Mexico, adding a real Mexican touch to store atmosphere.

# Inside Titicaca Store

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# Titicaca Store Network

Store data as of end-May 2012



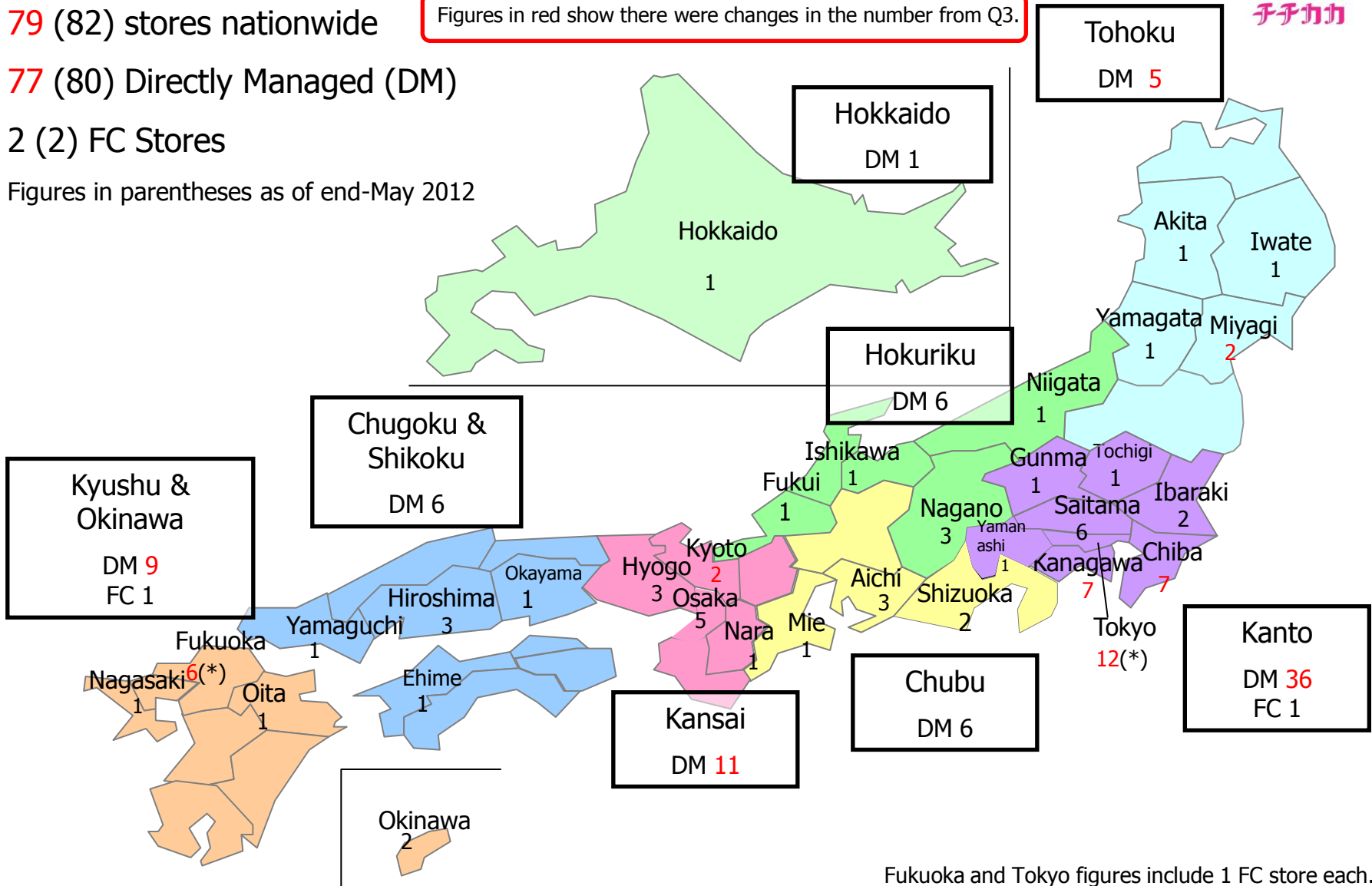
79 (82) stores nationwide

Figures in red show there were changes in the number from Q3.

77 (80) Directly Managed (DM)

2 (2) FC Stores

Figures in parentheses as of end-May 2012



Fukuoka and Tokyo figures include 1 FC store each.

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# Titicaca - Results

# Titicaca - Results



Titicaca Income Statement		FY03/11				FY03/12				FY03/13			
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1 Est.	Q2 Est.	Q3 Est.	Q4 Est.	
<b>Sales</b>	<b>579</b>	<b>720</b>	<b>630</b>	<b>626</b>	<b>826</b>	<b>1,148</b>	<b>977</b>	<b>1,017</b>	<b>1,208</b>	<b>1,695</b>	<b>1,435</b>	<b>1,462</b>	
<b>Gross Profit</b>	<b>390</b>	<b>473</b>	<b>412</b>	<b>397</b>	<b>554</b>	<b>797</b>	<b>654</b>	<b>672</b>	<b>799</b>	<b>1,039</b>	<b>945</b>	<b>911</b>	
<b>Operating Profit</b>	<b>66</b>	<b>114</b>	<b>53</b>	<b>3</b>	<b>108</b>	<b>275</b>	<b>128</b>	<b>93</b>	<b>139</b>	<b>273</b>	<b>177</b>	<b>96</b>	
<b>Recurring Profit</b>	<b>60</b>	<b>110</b>	<b>47</b>	<b>2</b>	<b>106</b>	<b>271</b>	<b>118</b>	<b>90</b>	<b>129</b>	<b>264</b>	<b>169</b>	<b>88</b>	
<b>Net Income</b>	<b>26</b>	<b>54</b>	<b>25</b>	<b>-16</b>	<b>56</b>	<b>149</b>	<b>77</b>	<b>19</b>	<b>79</b>	<b>162</b>	<b>104</b>	<b>54</b>	
Sales YoY	60.2%	51.9%	51.4%	34.0%	42.7%	59.4%	55.1%	62.5%	46.2%	47.6%	46.9%	43.8%	
Gross Profit YoY	58.1%	50.6%	51.5%	36.4%	42.0%	68.5%	58.7%	69.3%	44.1%	30.4%	44.5%	35.6%	
Operating Profit YoY	180.3%	107.3%	-	-	63.3%	141.2%	141.5%	3000.0%	28.4%	-0.7%	38.3%	3.2%	
Recurring Profit YoY	202.8%	120.0%	-	-	76.7%	146.4%	151.1%	4400.0%	21.7%	-2.6%	43.2%	-2.2%	
Net Income YoY	41.4%	12.5%	-	-	109.7%	175.9%	208.0%	-	41.1%	8.7%	52.9%	92.9%	
Gross Profit Margin	67.4%	65.7%	65.4%	63.4%	67.1%	69.4%	66.9%	66.1%	66.1%	61.3%	65.9%	62.3%	
Operating Profit Margin	11.4%	15.8%	8.4%	0.5%	13.1%	24.0%	13.1%	9.1%	11.5%	16.1%	12.3%	6.6%	
Recurring Profit Margin	10.4%	15.3%	7.5%	0.3%	12.8%	23.6%	12.1%	8.8%	10.7%	15.6%	11.8%	6.0%	
Net Profit Margin	4.5%	7.5%	4.0%	-2.6%	6.8%	13.0%	7.9%	1.9%	6.5%	9.6%	7.2%	3.7%	
Sales vs Plan	9.2%	12.0%	-2.3%	18.3%	0.0%	5.2%	3.6%	7.4%					
Gross Profit vs Plan	8.3%	13.7%	-4.5%	26.4%	2.2%	19.5%	8.5%	17.7%					
Operating Profit vs Plan	88.6%	62.9%	-33.8%	-133.3%	10.6%	96.4%	73.0%	675.0%					
Recurring Profit vs Plan	130.8%	74.6%	-40.5%	-111.8%	10.8%	103.8%	78.8%	1700.0%					
Net Income vs Plan	188.9%	54.3%	-30.6%	77.8%	4.9%	101.4%	108.1%	533.3%					

## Sales vs. Budget Achieved

**+4.2%** vs. budget (+160 million yen)

\* All figures are vs. full-year forecast

**Existing stores: -0.2% (-0.8 million yen)**

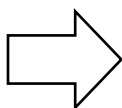
**New stores: +12.4% (+224 million yen)**

**Wholesale and FC sales: +8.6% (+15 million yen)**

## SG&A vs. Budget

**+0.7%** vs. budget (+14 million yen)

Major Items	vs. Budget (Million Yen)
Internet-related costs	+26
Rents	+13
Promotion, consumables	+9
Labor costs	-35



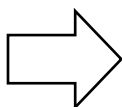
- Higher commissions payments due to a new store on ZOZOTOWN online shopping site
- New store sales higher than budget, resulting in higher sales-linked rents and other store costs
- Higher store counts resulting in higher promotion and consumables costs
- Lower labor costs YoY. Plans to increase personnel at stores and HQ to further expand sales

## Higher OPM

OPM improved to **15.2%** from 9.3% last year

Ratio of corporate overhead to sales dropped to **12.5%** from 14.7%

Factor	YoY Change (Million Yen)	%
Sales	+1,412	+55.3%
Labor costs	+241	+35.5%
Corporate overhead	+121	+33.5%



- Labor costs: +35.5%; Corporate overhead: +33.5%
- Sales growth (+55.3%) higher than labor costs and corporate overhead increases
- Higher sales with lower corporate overhead growth led to higher OPM and improvement in corporate overhead ratio

Net increase in stores: **19**

Full year sales: **+55.3%**

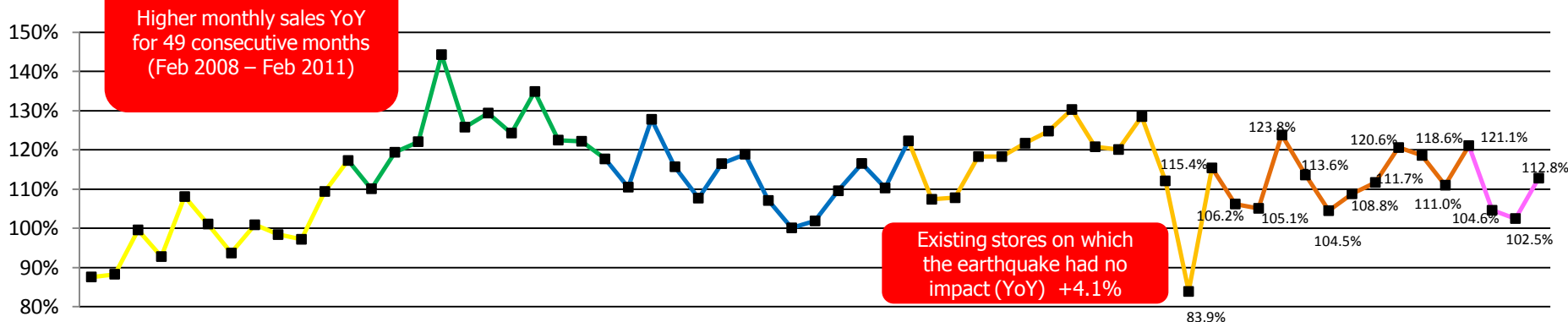


# Titicaca - Results



## Comparable Store Sales

Cumulative through Q4 **+13.6%**



\* Different color for each financial year

FY03/08	FY03/09	FY03/10	FY03/11	FY03/12
Group management started following M&A in May 2007	Area manager system established Full-year results move out of the red	Management vision established Losses carried forward cleared	Management vision permeated through our credo	Dedicated area manager system introduced

## Store Openings

	FY03/10 Results	FY03/11 Results	FY03/12 Plan			FY03/12 Results (as of end-March 2012)			FY03/13 Plan		
			1H	2H	Full Year	1H	2H	Full Year	1H	2H	Full Year
			Store Openings	16	15	9	10	19	9	12	21
Store Closures	1	4	0	1	1	1	1	2	1	0	1

## Investment in human resources – increasing manager counts

FY03/12

Block Manager: 3

Dedicated Area Manager: 2  
Playing Area Manager: 8

Sub Manager: 6

Store Manager

1. From the current term, dedicated Area Managers who do not belong to a store were introduced.  
⇒ This enabled more hand-holding and efficient management.
2. From the current term, Sub Managers were introduced.  
⇒ This enabled us to nurture personnel who are able to work as managers.

FY03/13

4. Head of Sales HQ

Block Manager: 3

1. Dedicated Area Manager: 4  
2. Playing Area Manager: 9

3. Sub Manager: 12

Store Manager

1. Increase the number of dedicated AMs in order to enhance overall management.
2. Assign personnel who received training during this term to Area Manager roles.
3. Increase the number of Sub Managers in order to nurture more prospective managers.
4. Head of Sales HQ, who also served as block manager, will work as Head of Sales HQ full-time in order to be able to focus on company-wide management. This will enhance the performance of the entire organization.

- \*Dedicated Area Manager: Not belonging to a store, and managing a responsible area on a full-time basis
- \*Playing Area Manager: Managing a responsible area while serving as a store manager
- \*Sub Manager: Serving as a store manager as well as serving as a manager for another store

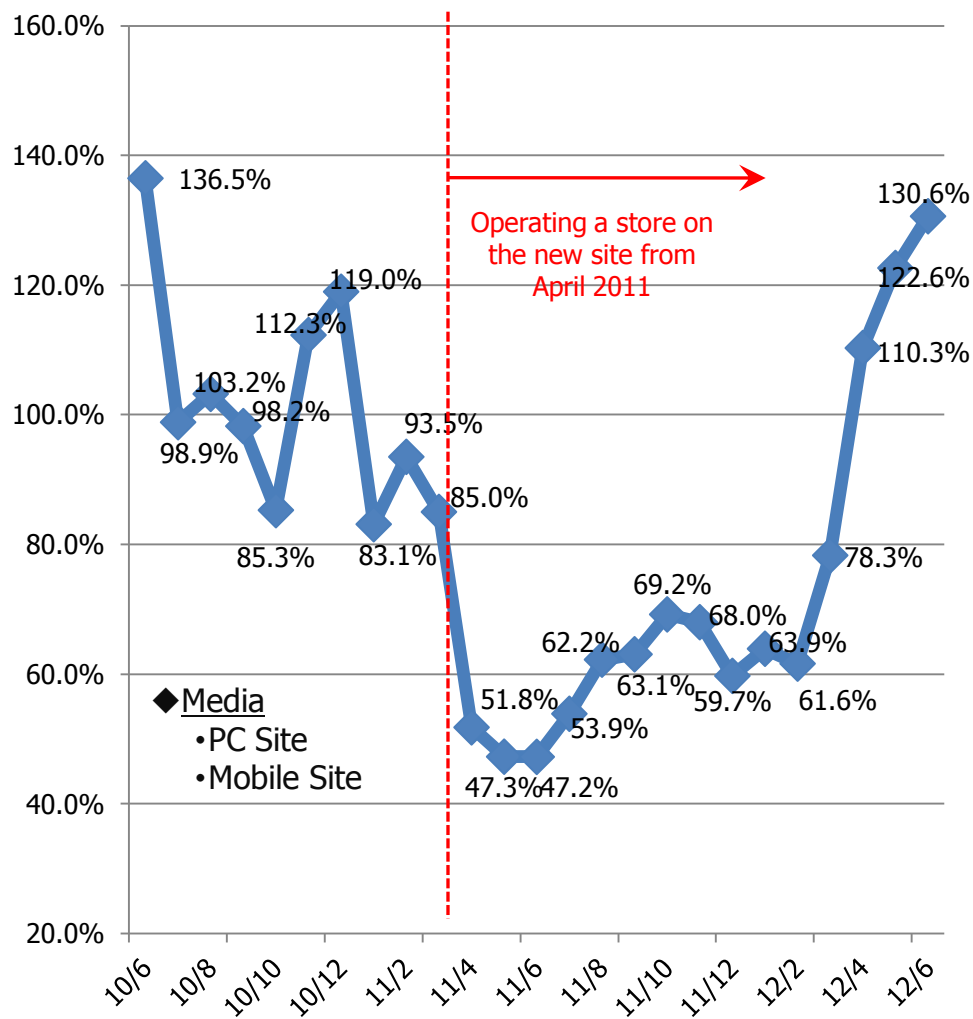
# Village Vanguard Webbed Limited

# Results

(Thousand Yen)

PL	FY05/12 (Actual)	FY05/13 (Plan)			
	Q4 (Actual)	Q1 (Plan)	Q2 (Plan)	Q3 (Plan)	Q4 (Plan)
Sales	100,292	25,374	56,611	104,177	137,633
Versus Plan (%) (Difference)	51.4 (-94,873)	-	-	-	-
GPM	23,679	5,555	13,453	23,887	32,244
Versus Plan (%) (Difference)	74.4 (-8,168)	-	-	-	-
SG&A	20,264	6,835	13,814	20,797	27,693
Versus Plan (%) (Difference)	94.6 (-1,150)	-	-	-	-
Operating Profit	3,415	-1,279	-360	3,090	4,551
Versus Plan (%) (Difference)	32.7 (-7,018)	-	-	-	-
Recurring Profit	1,059	-1,778	-1,303	1,708	2,720
Versus Plan (%) (Difference)	13.3 (-6,926)	-	-	-	-
Net Income	8,037	-1,824	-1,395	1,571	2,537
Versus Plan (%) (Difference)	58.5 (-5,699)	-	-	-	-

## Sales YoY (Order Value Basis)



Figures in parentheses indicate difference vs. plan.

# Overseas Subsidiaries

## Enter Overseas Markets

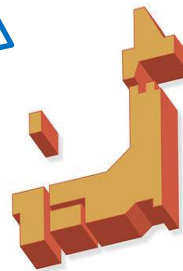
Village Vanguard



Japan

390 stores (including franchises)

\* As of end-May 2012



Titicaca



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Japan

82 stores (including franchises)

\* As of end of May 2012

Increase Store Counts in Japan

Enter overseas markets and increase store counts overseas

● September 2009

Established Village Vanguard (Hong Kong) Limited in Hong Kong (4 stores as of June 2012).



Use lessons learned in HK for further expansion in other overseas markets.

Titicaca's first move overseas

April 2012: Established Titicaca Hong Kong Limited in HK (plan to open store in August)

May 2012: Established Village Vanguard (Taiwan) Limited in Taiwan.

(Held pre-opening on June 30 and grand opening scheduled on August 10.)

## Company Overview

- Company Name: Village Vanguard (Hong Kong) Limited
- Shareholders: Village Vanguard Co., Ltd. (80%)  
Era-Bee Limited (20%) (Development of Japanese language education and culture-related businesses)
- Business: Retail sales exhibiting a fusion of books, SPICE (variety goods) and new media (CDs, DVDs, others) based on the idea of a “bookstore where you can play”
- Headquarters: B/F, Rialto Mansion, 183 King’s Road, Hong Kong
- Representative: Ho Wing Pong Raymond
- Established: September 2009
- Capital: HK\$15,000,000 (approx. 150,000,000 yen)
- No. of stores: 3 (directly managed) (as of end-May 2012)
- No. of employees: 18 full-time employees  
7 part-time workers



Ho Wing Pong Raymond

## Inside Store



New Park Central store opened

## Store Openings



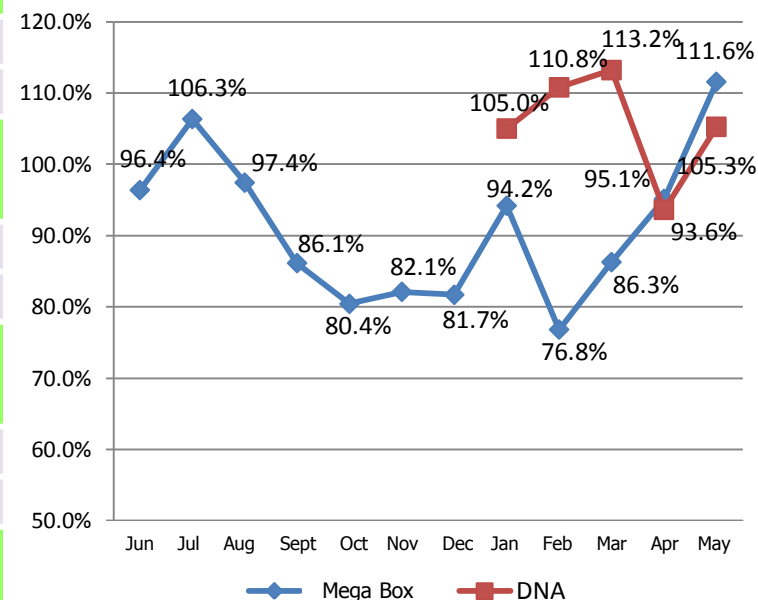


# Village Vanguard (Hong Kong) Limited



(Million Yen)	FY05/12 Results				FY05/13 Plan			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	29	52	84	109	31	59	97	131
vs. Plan	-2	-10	-19	-23	-	-	-	-
YoY Change	-6	-6	-6	-8	+1	+7	+12	+22
Gross Profit	13	19	33	37	12	23	38	52
vs. Plan	-0	-6	-9	-17	-	-	-	-
YoY Change	-2	-5	-5	-11	-0	+4	+5	+15
Operating Profit	-5	-22	-27	-39	-4	-10	-14	-17
vs. Plan	+2	-5	-4	-6	-	-	-	-
YoY Change	+4	+4	+3	+4	+0	+11	+13	+21
Recurring Profit	-5	-22	-27	-38	-4	-9	-11	-14
vs. Plan	-2	-5	-3	-5	-	-	-	-
YoY Change	+4	+4	+3	+5	+1	+13	+15	+24
Net Income	-5	-22	-27	-38	-4	-9	-11	-14
vs. Plan	-2	-5	-3	-5	-	-	-	-
YoY Change	+4	+6	+6	+6	+1	+13	+15	+25

## Comparable Store Sales YoY



### Full Year Sales YoY

Mega Box store: -9.5%  
DNA: +4.9%



## Company Overview

- Company name: Titicaca Hong Kong Limited
- Shareholders: Village Vanguard Co., Ltd. (100%)
- Business: Import and sales of ethnic fashions and daily goods
- Headquarters: Flat 1606, 16/F., Nathan Center, 580 Nathan Road, Mongkok, Kowloon
- Representative: Hitoshi Kinami
- Founded: April 2012
- Capital: HK\$1,000,000 (approx. 10,000,000 yen)
- No. of stores: 1 directly managed store (plan)
- Sales: 20,000,000 yen (FY03/13)  
\* Store opening planned for August



Image of new store

## Company Overview

- Company name: Village Vanguard (Taiwan) Limited
- Shareholders: Village Vanguard Co., Ltd. (100%)
- Business: Retail sales exhibiting a fusion of books, SPICE (variety goods) and new media (CDs, DVDs, others) based on the idea of a “bookstore where you can play”
- Headquarters: B2, No. 789, Zhōnghuá 5th Rd, Cianjhen District, Kaohsiung City, Taiwan 806
- Representative: Atsunori Shirakawa, Managing Director
- Founded: May 2012
- Capital: 25,000,000 TWD (approx. 70,000,000 yen)
- No. of stores: 1 directly managed store (plan)
- Sales: 33,000,000 (FY03/13)

\* Pre-opening on June 30 and  
grand opening on August 10 (plan)



Store manager Mr. Tateyama



First Village Vanguard (Taiwan) store  
(Dream Mall in Kaohsiung)