

FY05/10 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	FY05/09				FY05/10				FY05/11 Est			
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1 Est	Q2 Est	Q3 Est	Q4 Est
Sales	7,343	7,462	9,739	8,682	8,630	8,273	10,290	9,456	9,274	8,955	11,006	10,175
SG&A	2,270	2,723	2,798	2,831	2,799	2,879	3,069	3,117	3,177	3,337	3,487	3,570
Labor	995	1,094	1,150	1,198	1,248	1,246	1,327	1,393	1,464	1,483	1,544	1,559
Rent	632	650	833	752	753	732	883	817	829	828	981	921
Depreciation	69	95	108	113	102	108	113	120	127	138	146	163
Operating Profit	731	374	1,151	866	799	548	1,203	755	701	421	970	650
Recurring Profit	753	391	1,164	863	814	561	1,213	768	699	425	971	651
Net Profit	414	214	605	468	462	299	641	430	231	217	514	320
Sales YoY	16.2%	21.5%	23.0%	19.0%	17.5%	10.9%	5.7%	8.9%	7.5%	8.2%	7.0%	7.6%
SG&A YoY	-22.3%	33.5%	30.1%	28.9%	23.3%	5.7%	9.7%	10.1%	13.5%	15.9%	13.6%	14.5%
Labor YoY	-19.8%	23.9%	27.4%	30.2%	25.4%	13.9%	15.4%	16.3%	17.3%	19.0%	16.4%	11.9%
Rent YoY	-17.5%	22.0%	24.9%	19.9%	19.1%	12.6%	6.0%	8.6%	10.1%	13.1%	11.1%	12.7%
Depreciation YoY	-9.6%	69.6%	50.0%	41.3%	47.8%	13.7%	4.6%	6.2%	24.5%	27.8%	29.2%	35.8%
Operating Profit YoY	8.0%	-31.8%	9.4%	23.2%	9.3%	46.5%	4.5%	-12.8%	-12.3%	-23.2%	-19.4%	-13.9%
Recurring Profit YoY	9.4%	-30.8%	8.9%	20.0%	8.1%	43.5%	4.2%	-11.0%	-14.1%	-24.2%	-20.0%	-15.2%
Net Profit YoY	8.3%	-30.5%	1.3%	148.9%	11.6%	39.7%	6.0%	-8.1%	-50.0%	-27.4%	-19.8%	-25.6%
Operating Profit Margin	10.0%	5.0%	11.8%	10.0%	9.3%	6.6%	11.7%	8.0%	7.6%	4.7%	8.8%	6.4%
Recurring Profit Margin	10.3%	5.2%	12.0%	9.9%	9.4%	6.8%	11.8%	8.1%	7.5%	4.7%	8.8%	6.4%
Net Profit Margin	5.6%	2.9%	6.2%	5.4%	5.4%	3.6%	6.2%	4.5%	2.5%	2.4%	4.7%	3.1%
Versus plan												
Sales				103.0%	101.0%	99.8%	98.7%	91.1%				
SG&A				98.0%	100.9%	98.1%	98.4%	94.4%				
Operating Profit				166.9%	104.2%	105.6%	100.5%	75.7%				
Recurring Profit				167.4%	105.0%	108.1%	101.2%	74.9%				
Net Income				180.1%	106.0%	100.7%	95.4%	75.3%				

Village Vanguard (Hong Kong) Limited is included in consolidation from FY05/11.

The figures for Q3 and Q4 of FY05/09 are calculated based on the revised plan post Jan. 9, 2009 earnings revision.

BS (Consolidated)



Balance Sheet												
(Million Yen)	FY05/09				FY05/10				FY05/11 Est			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1 Est	Q2 Est	Q3 Est	Q4 Est
Cash & Deposit	2,750	2,387	3,011	3,078	2,685	2,957	3,503	4,037	3,571	3,570	3,163	3,589
Inventories	11,340	13,711	13,881	14,131	15,003	15,928	15,315	15,466	16,064	17,223	17,140	17,119
Other	2,421	2,372	2,225	2,486	2,601	2,345	2,448	2,641	2,813	2,498	2,524	2,775
Current Assets	16,512	18,470	19,119	19,695	20,290	21,231	21,267	22,145	22,449	23,291	22,828	23,484
Fixed Assets	3,299	4,218	4,227	4,383	4,440	4,519	4,414	4,382	4,555	4,651	4,748	4,830
Total Assets	19,812	22,688	23,347	24,079	24,731	25,750	25,682	26,528	27,005	27,942	27,576	28,314
Current Liabilities	6,586	8,361	6,933	7,525	8,053	8,214	7,626	8,370	8,400	8,429	7,468	8,235
Fixed Liabilities	2,068	2,955	4,436	4,108	3,824	4,382	4,261	3,934	4,253	4,945	5,026	4,678
Total Liabilities	8,654	11,316	11,369	11,633	11,877	12,596	11,887	12,304	12,653	13,374	12,494	12,913
Shareholders' Equity	11,157	11,372	11,976	12,445	12,853	13,153	13,793	14,223	14,352	14,567	15,081	15,399

Village Vanguard (Hong Kong) Limited is included in consolidation from FY05/11.

CF (Consolidated)

Cash Flow Statement												
	FY05/09				FY05/10				FY05/11 Est			
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1 Est	Q2 Est	Q3 Est	Q4 Est
Operating Cash Flow	-419	-533	-1,758	-735	-292	-146	298	1,647	-365	-608	-1,268	220
Change in Inventories	-412	-2,783	-2,953	-3,203	-872	-1,796	-1,183	-1,335	-505	-1,663	-1,581	-1,560
Other	-6	2,250	1,194	2,467	579	1,650	1,481	2,983	139	1,055	313	1,780
Investment Cash Flow	-239	-1,182	-1,497	-1,803	-186	-475	-600	-735	-130	-370	-626	-918
Change in Fixed Assets	-127	-798	-947	-1,166	-104	-212	-309	-487	-63	-215	-292	-409
Change in Other Assets	-112	-383	-550	-636	-82	-262	-291	-248	-66	-155	-334	-508
Financing Cash Flow	422	1,119	3,284	2,633	86	503	728	47	-8	472	981	211
Operating CF + Investment CF	-658	-1,715	-3,256	-2,359	-479	-621	-302	912	-495	-978	-1,894	-698

Village Vanguard (Hong Kong) Limited is included in consolidation 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 – 2,500 items.

Examples of Our Merchandising Approach (1)



BAR JAZZ CD

Compilation to invoke a bar atmosphere

"Cocktail Book"

"To the Bar"

Selection of 64 bars across Japan is introduced

Portable Charcoal Stove to warm one's sake for a lonely night drink

Glasses for Shochu liquor "rice", "wheat" and "potatoes"

- Handbook of Shochu and Awamori
- Special Selection of Real Shochu
- Gourmet Around Town

The Soul of John Bull
"I wanna be an old man like this!"

Set for making cocktails
"You are not going home tonight, my Darling!"

"Rolling Coaster"

Pour someone a drink and roller-skate it to a person across the counter...

A book of snacks

Examples of Our Merchandising Approach (2)



Examples of Our Merchandising Approach (3)



How We Sell?

We delegate both purchasing and sales decisions to the store level

Marketing
-Pursue customer need in each store

Purchasing
-Reflect customer needs directly
-Individualistic challenge to discover new needs

Proposition
-POP, zone creation 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)

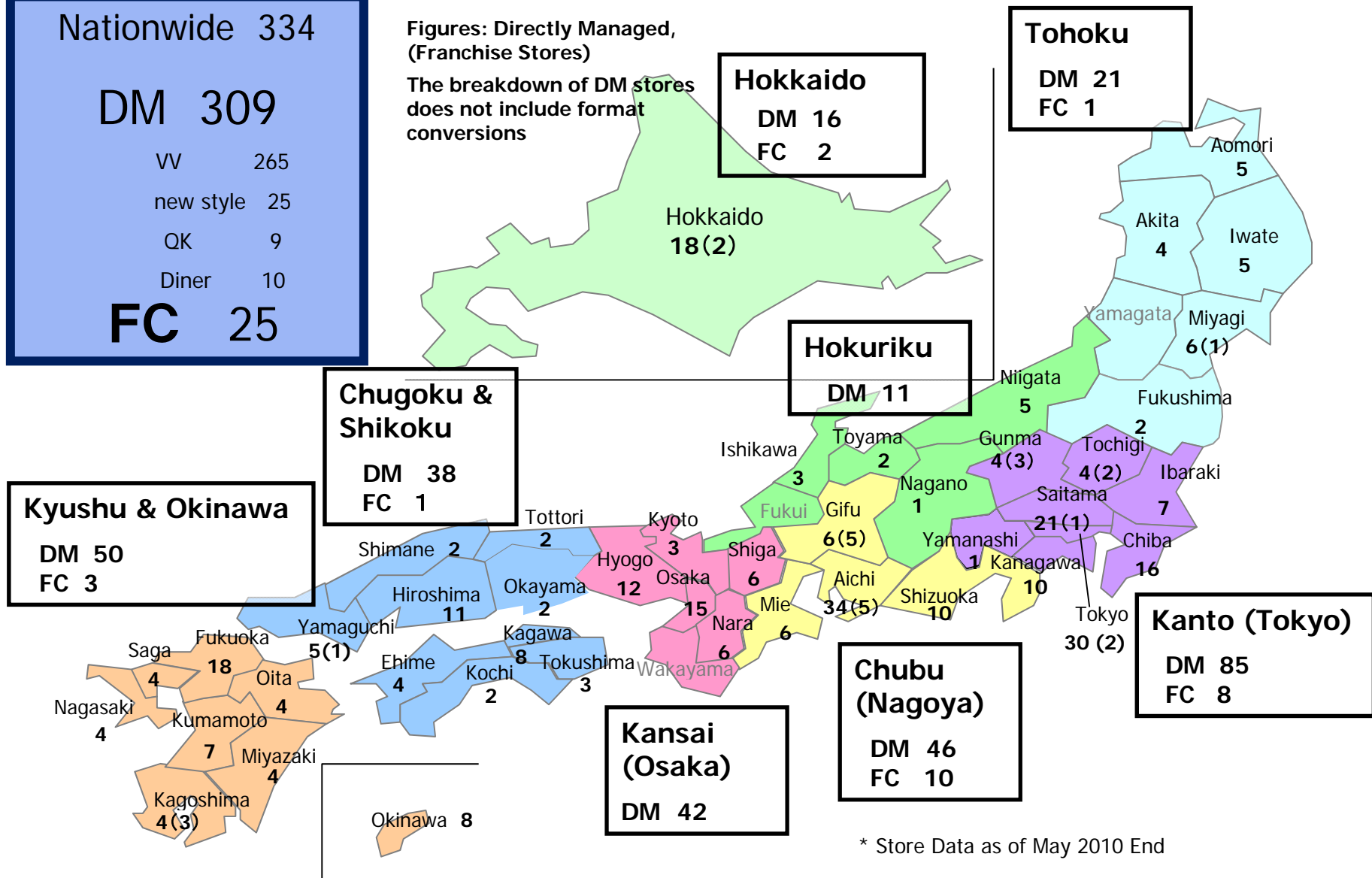
Nationwide 334

DM 309

WV 265
 new style 25
 QK 9
 Diner 10

FC 25

Figures: Directly Managed,
(Franchise Stores)
The breakdown of DM stores
does not include format
conversions



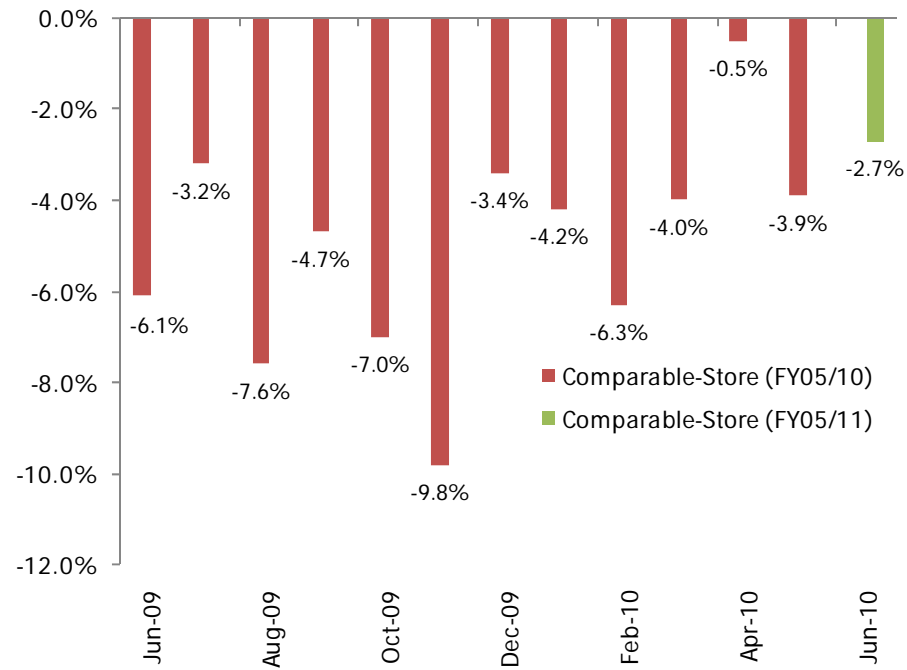
* Store Data as of May 2010 End

Parent Income Statement



Income Statement (Million Yen)	FY05/09				FY05/10				FY05/11 Est.			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1 Est.	Q2 Est.	Q3 Est.	Q4 Est.
Sales	7,096	7,144	9,438	8,397	8,271	7,827	9,888	9,008	8,729	8,297	10,464	9,637
Gross Profit	2,821	2,880	3,739	3,506	3,351	3,130	3,994	3,582	3,496	3,321	4,088	3,866
SG&A	2,092	2,521	2,586	2,622	2,567	2,610	2,776	2,815	2,808	2,953	3,113	3,191
Labor	911	1,002	1,052	1,099	1,137	1,137	1,191	1,259	1,291	1,310	1,364	1,384
Rent	584	600	781	705	705	674	822	751	749	739	899	836
Depreciation	67	91	102	107	95	100	103	107	97	106	114	130
Operating Profit	729	359	1,152	885	784	519	1,218	768	688	368	975	675
Recurring Profit	758	383	1,173	886	806	541	1,235	791	700	383	988	687
Net Profit	418	208	637	503	455	278	664	429	246	202	532	348
Sales YoY	16.0%	20.5%	22.3%	18.3%	16.6%	9.6%	4.8%	7.3%	5.5%	6.0%	5.8%	7.0%
Operating Profit YoY	7.3%	-35.8%	7.6%	20.7%	7.5%	44.6%	5.7%	-13.2%	-12.2%	-29.1%	-20.0%	-12.1%
Recurring Profit YoY	9.3%	-34.4%	7.0%	17.2%	6.3%	41.3%	5.3%	-10.7%	-13.2%	-29.2%	-20.0%	-13.1%
Net Profit YoY	8.3%	-36.2%	2.1%	66.0%	8.9%	33.7%	4.2%	-14.7%	-45.9%	-27.3%	-19.9%	-18.9%
Gross Profit Margins	39.8%	40.3%	39.6%	41.8%	40.5%	40.0%	40.4%	39.8%	40.1%	40.0%	39.1%	40.1%
Operating Profit Margin	10.3%	5.0%	12.2%	10.5%	9.5%	6.6%	12.3%	8.5%	7.9%	4.4%	9.3%	7.0%
Recurring Profit Margin	10.7%	5.4%	12.4%	10.6%	9.7%	6.9%	12.5%	8.8%	8.0%	4.6%	9.4%	7.1%
Net Profit Margin	5.9%	2.9%	6.7%	6.0%	5.5%	3.6%	6.7%	4.8%	2.8%	2.4%	5.1%	3.6%
Versus Plan												
Sales					101.2%	100.7%	100.1%	90.7%				
SG&A					101.3%	99.7%	99.2%	94.3%				
Operating Profit					103.6%	104.8%	103.8%	74.9%				
Recurring Profit					104.9%	105.7%	104.5%	76.4%				
Net Profit					105.8%	102.9%	100.9%	74.0%				

Comparable Store Sales



Comparable Store Sales (by Format)



Sales by Format (Million Yen)	FY05/08				FY05/09				FY05/10			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Total	5,412	10,761	17,878	24,363	6,442	12,483	20,268	27,134	6,734	13,353	22,497	30,695
Comp Stores YoY	8.2%	8.1%	7.2%	6.4%	3.9%	2.5%	1.5%	0.2%	-5.7%	-6.5%	-5.6%	-4.9%
Village Vanguard	5,064	10,065	16,625	22,585	5,964	11,493	18,538	24,787	6,110	12,025	20,152	27,440
Comp Stores YoY	7.1%	7.3%	6.6%	6.0%	4.5%	2.9%	1.8%	0.4%	-5.7%	-6.0%	-5.5%	-4.8%
new style	270	535	944	1,318	351	703	1,185	1,555	373	805	1,468	2,050
Comp Stores YoY	34.1%	26.8%	20.7%	13.6%	-4.8%	-3.1%	-4.3%	-5.1%	-10.3%	-10.3%	-5.4%	-3.6%
QK	20	47	124	189	67	146	251	347	105	213	368	497
Comp Stores YoY	40.8%	30.0%	19.1%	17.1%	8.5%	3.7%	-1.0%	-2.0%	-12.5%	-22.5%	-19.8%	-19.0%
Online	11	27	57	92	32	71	132	181	53	109	195	258
Comp Stores YoY	-68.4%	-59.4%	-46.7%	-24.4%	166.5%	146.3%	111.8%	85.7%	63.4%	52.0%	47.4%	43.0%
Diner	57	113	184	269	78	159	251	354	92	199	313	448
Comp Stores YoY	3.1%	-2.1%	-1.9%	0.9%	1.7%	4.7%	4.1%	3.4%	-3.8%	-13.6%	-15.2%	-15.6%

Note: Sales figures accumulate quarter to quarter.

※QoQ figures are used for determining comparable store sales

Category Sales



Sales by Category (Million Yen)	FY05/08				FY05/09				FY05/10			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
SPICE (Parent)	4,304	4,077	5,546	5,011	5,109	5,243	7,102	6,310	6,193	5,926	7,785	6,904
Books (Parent)	1,025	988	1,118	1,044	1,038	1,041	1,171	1,087	1,045	997	1,147	1,117
NM (Parent)	673	743	914	898	810	723	997	801	844	664	771	769
Other (Parent)	115	120	137	144	139	135	168	199	189	238	185	218
Sales	6,118	5,929	7,714	7,098	7,096	7,124	9,438	8,397	8,271	7,827	9,888	9,008
Composition												
SPICE (Parent)	70.3%	68.8%	71.9%	70.6%	72.0%	73.6%	75.2%	75.1%	74.9%	75.7%	78.7%	76.6%
Books (Parent)	16.8%	16.7%	14.5%	14.7%	14.6%	14.6%	12.4%	12.9%	12.6%	12.7%	11.6%	12.4%
NM (Parent)	11.0%	12.5%	11.8%	12.7%	11.4%	10.1%	10.6%	9.5%	10.2%	8.5%	7.8%	8.5%
Other (Parent)	1.9%	2.0%	1.8%	2.0%	2.0%	1.9%	1.8%	2.4%	2.3%	3.0%	1.9%	2.4%

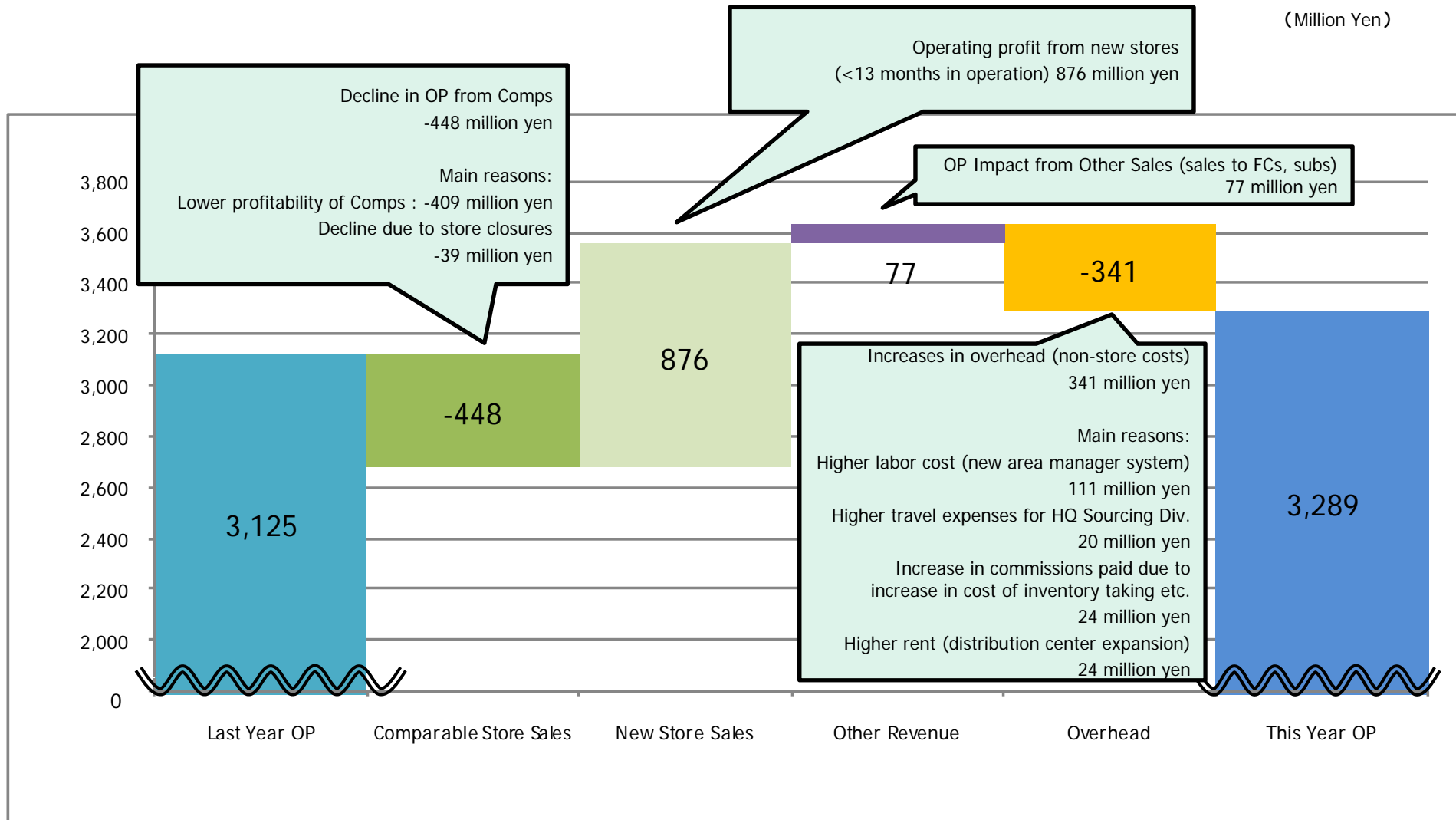
Store Age Sales YoY

Year In Operation (Directly Managed Stores)	6th and Older	5th	4th	3rd	2nd	1st
Number of Stores	117	35	39	24	59	35
YoY Sales (%)	-6.5%	-4.2%	-1.6%	-2.6%	-6.6%	-

*excluding online and closed stores

OP Analysis

(Million Yen)



Store Openings (Incl. Titicaca Subsidiary)



New Openings & Closures	FY05/08Act Full-Year	FY05/09Act Full-Year	FY05/10Act Full-Year	FY05/11Est 1H	FY05/11Est 2H	FY05/11Est Full-Year
Openings						
Village Vanguard	22	42	30	19	16	35
new style	3	8	1	0	0	0
QK	1	5	0	0	0	0
Diner	1	4	1	0	0	0
Titicaca	0	12	16	4	4	8
Total New Openings	27	71	48	23	20	43
Closures						
Village Vanguard	5	6	6	3	1	4
new style	0	0	0	0	0	0
QK	0	0	0	2	0	2
Diner	0	0	0	0	0	0
Titicaca	0	7	1	3	0	3
Total Closures	5	13	7	8	1	9

Grow sales by introducing dedicated area manager system

Goal Boost sales by enhancing individual stores' ability to identify and solve issues

Till February 2010
"Playing Managers"

Positives:
Develop store operation skills

Negatives:

- Hard to perform managerial duties due to low frequency of store visits
- Delayed follow-up leading to even poorer performance than before



From March 2010
"Dedicated Area managers"

Positives:

- More frequent opportunities to train staff
- Easier to identify and mitigate risks, thus lower negative sales impact

Negatives:

- Higher costs (store visits etc.)
- Fewer talented managers to run stores

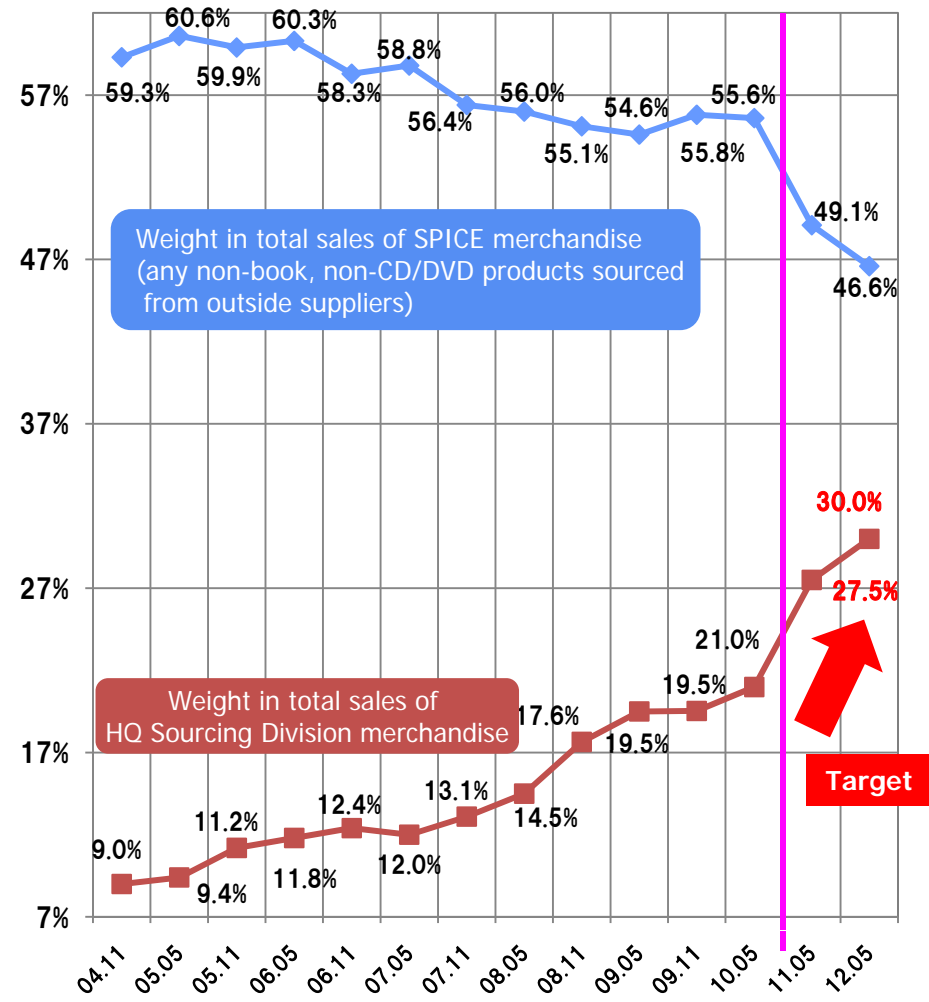
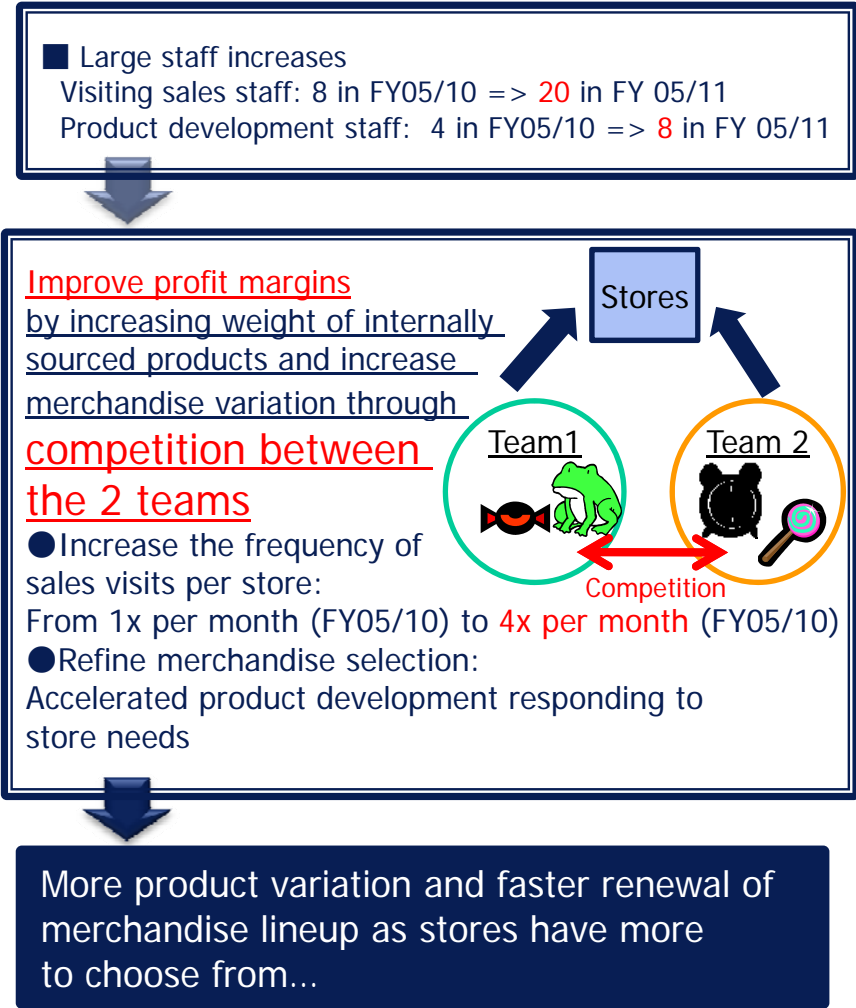


Response:
Improving management methods

New problem:
Store managers stop acting independently and wait for instructions

Theme 2

Boost gross profits by introducing 2-team HQ Sourcing Division structure



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% vs. budget</u>	Weight of merchandise sourced through by HQ 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

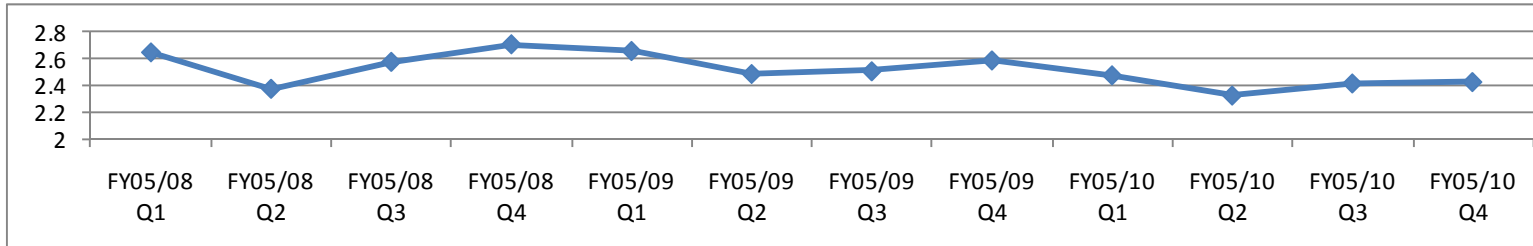
Inventory Control

(Million Yen)

	FY05/08 Q4	FY05/09 Q1	FY05/09 Q2	FY05/09 Q3	FY05/09 Q4	FY05/10 Q1	FY05/10 Q2	FY05/10 Q3	FY05/10 Q4
Cash Flows From Operations	1,076	-393	-565	-1,694	-669	-197	-173	380	1,756
■ Net Income Before Tax	2,917	744	1,116	2,276	3,149	821	1,320	2,498	3,256
■ Net Increase (Decrease) In Inventories	-1,126	-421	-2,768	-2,900	-3,107	-770	-1,711	-1,048	-1,101
Existing Stores	403	145	934	899	666	463	1,006	356	348
New Stores	885	285	1,901	2,082	2,620	463	962	1,113	1,292
Other Stores	39	-9	-31	-24	-100	-129	-203	-339	-355
Valuation Charge	-202	-	-38	-57	-79	-27	-55	-82	-183
■ Other	-714	-716	1,084	-1,070	-711	-248	216	-1,070	-352
Cash Flow from Investments	-306	-225	-1,102	-1,379	-1,678	-145	-402	-479	-538
Cash Flow from Financing	181	372	990	3,044	2,383	20	78	491	-371
Free Cash Flow	770	-618	-1,667	-3,073	-2,347	-342	-576	-99	1,217
Reference									
Number of existing stores	203	203	215	211	219	226	254	261	272
Inventory change per existing store during the term	2.0	0.7	4.3	4.2	3.0	2.0	3.9	1.3	1.2

Existing Store Inventory Trends

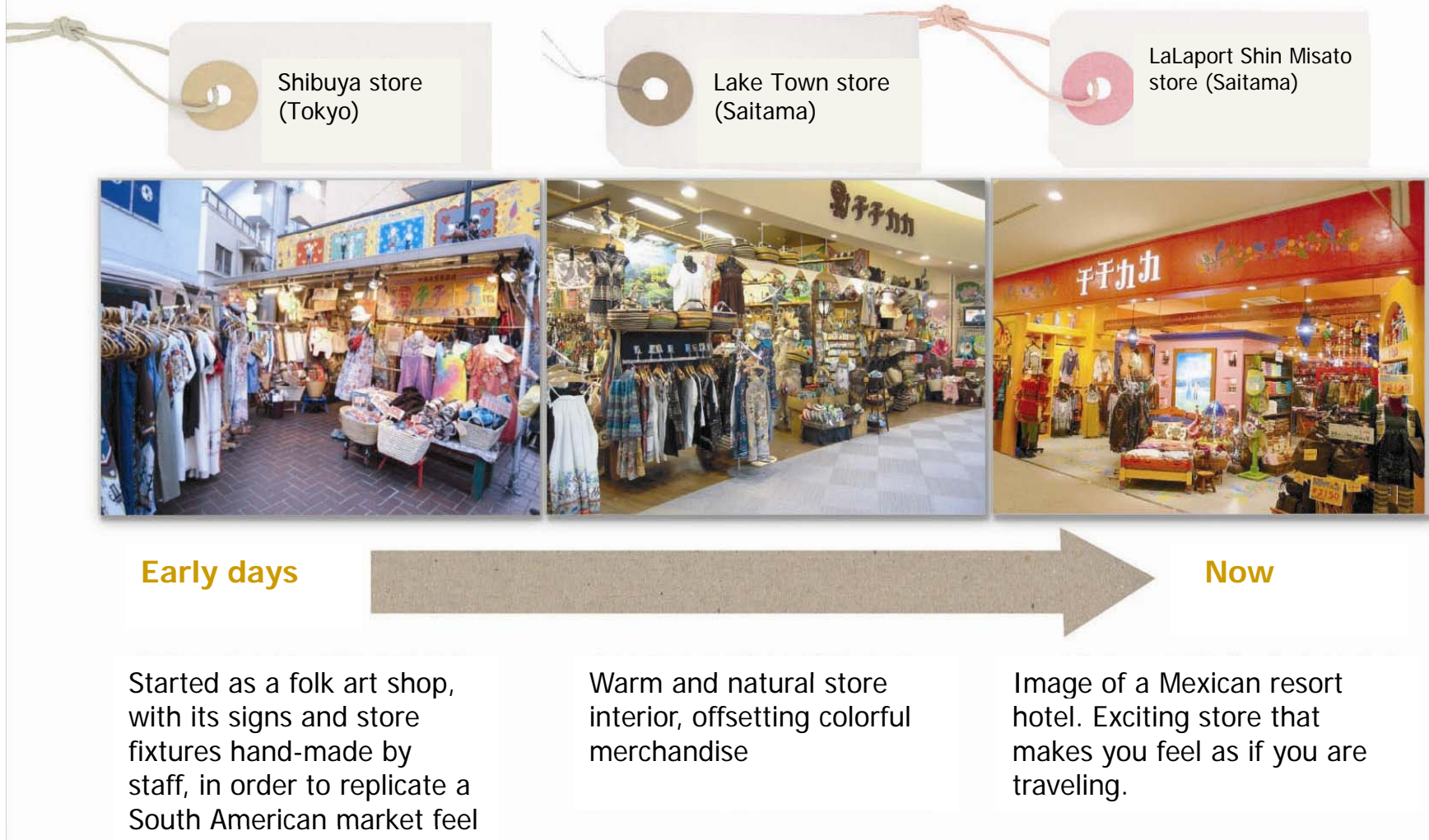
Inventory Turnover



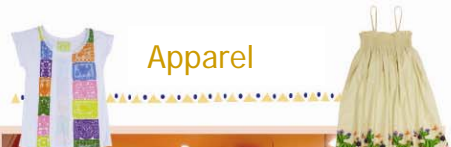
※Cash flow are unaudited and calculated on convenient means



Outside Titicaca Stores



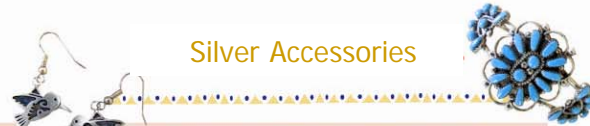
Inside Titicaca Stores



Apparel



Accessories



Silver Accessories



Titicaca – Results



Income Statement

Titicaca Income Statement (Million Yen)	FY05/09				FY05/10				FY05/11 Est.			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1 Est.	Q2 Est.	Q3 Est.	Q4 Est.
Sales	251	322	306	299	361	474	416	467	530	643	519	529
Operating Profit	10	26	7	-7	23	55	-10	-2	35	70	8	-7
Recurring Profit	8	21	5	-9	20	50	-13	-8	26	63	1	-14
Net Profit	8	20	3	-40	18	48	-14	12	9	36	0	-10
Sales YoY					43.8%	47.2%	35.9%	56.2%	46.8%	35.7%	24.8%	13.3%
Operating Profit YoY					130.0%	111.5%	-	-	52.2%	27.3%	-	-
Recurring Profit YoY					150.0%	138.1%	-	-	30.0%	26.0%	-	-
Net Profit YoY					125.0%	140.0%	-	-	-50.0%	-25.0%	-	-
Operating Profit Margins	4.0%	8.1%	2.3%	-	6.4%	11.6%	-	-	6.6%	10.9%	1.5%	-
Recurring Profit Margins	3.2%	6.5%	1.6%	-	5.5%	10.5%	-	-	4.9%	9.8%	0.2%	-
Net Profit Margins	3.2%	6.2%	1.0%	-	5.0%	10.1%	-	2.6%	1.7%	5.6%	0%	-
Sales vs Plan	100.0%	97.2%	96.4%	93.5%	96.8%	97.3%	86.3%	88.8%				
Operating Profit vs Plan	95.4%	119.7%	54.8%	-	116.9%	130.8%	-	-				
Recurring Profit vs Plan	90.6%	120.8%	46.9%	-	124.7%	136.2%	-	-				
Net Profit vs Plan	91.0%	113.2%	30.6%	-	118.3%	127.4%	-	92.3%				



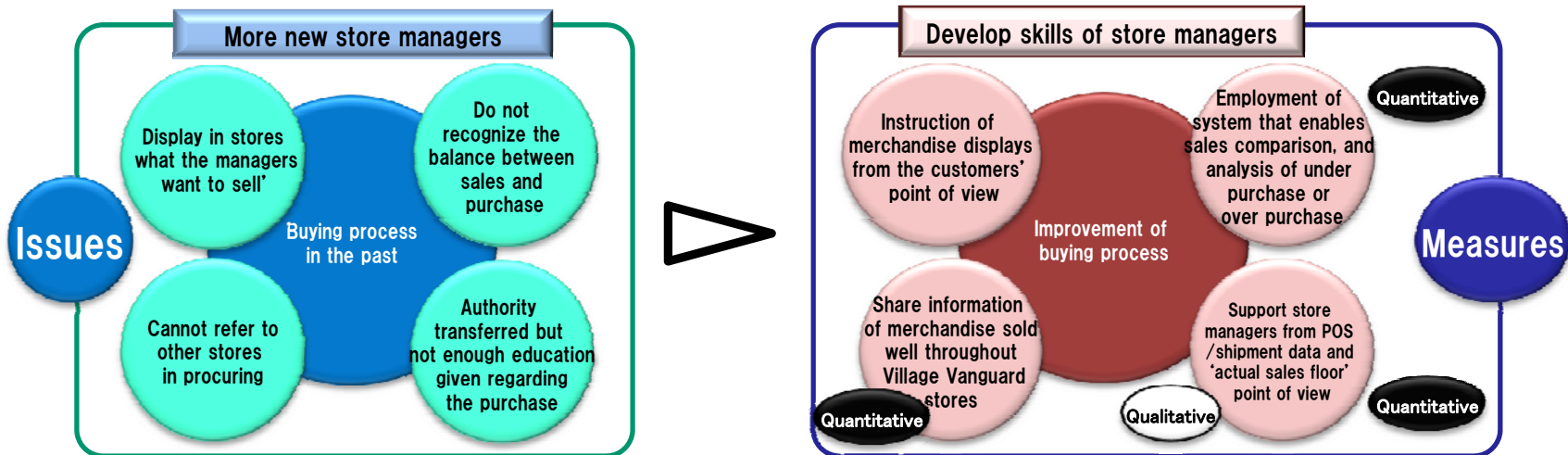
1) Sales 3.3% below the budget (58m yen miss)

Comps +0.6%(+4.8m yen) New Stores -10.6% (-87m yen)
Wholesale Sales and FC+8.3% (10.8m yen) Event (+12.6m yen)

New Stores ⇒ Negative impact of 43m yen from stores within one year from opening (7.1% below the budget)
 New Stores ⇒ Notable negative impact of 40m yen from delays in 6 new store openings

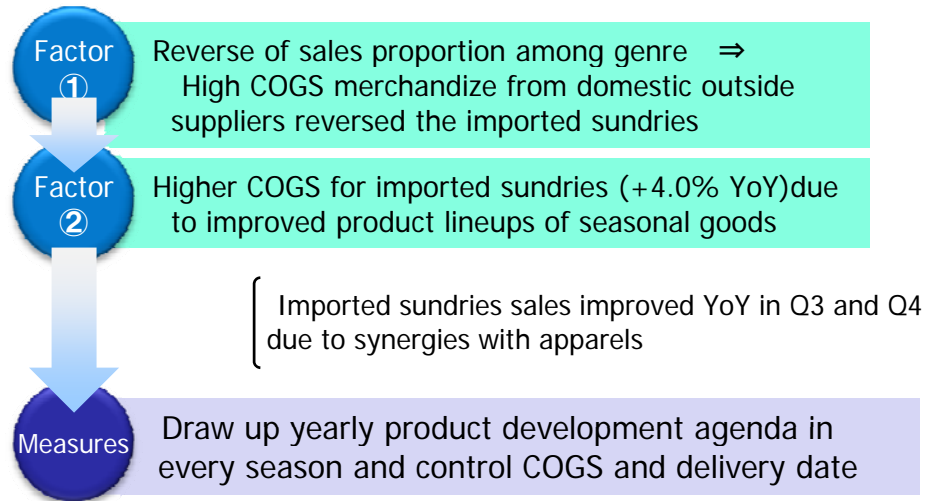
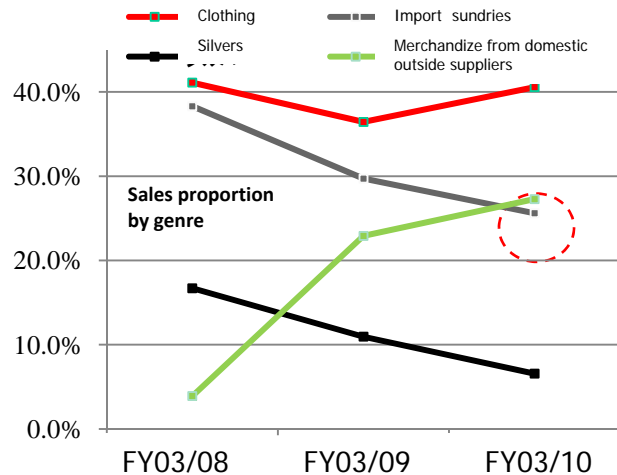
Reasons Insufficient store management, buying experience due to fast store network expansion; higher number of inexperienced store managers.

Measures Working to improve buying process; started Management communication training for novice store managers.





2) Shortfall in GPM budget -2.4% vs. budget (-28 million yen vs. budget)



3) Achieved SG&A budget -0.9% vs. budget (-9.6 million yen vs. budget)

Discrepancy in budget vs. actual variable cost due to increased number of stores

	Major items	vs. budget
Positives	Travelling and shipping	+4.8
	Advertising	+3.9
	Supplies	+7.1
	Distribution consignment	+5.3
Negatives	Labor	-34

Total +21 million yen
-New store opening budget(16 stores) too small, and cost control not sufficient

- 1) Change in the schedule of new store openings
- 2) Tough recruitment in the existing stores

Company Profile

Village Vanguard (Hong Kong) Limited

(Consolidated from FY05/11)

TOPICS

■ Stores:

#1 opened on Nov. 2009 at JUSCO Kornhill

#2 opened on Dec. 2009 at Dragon Center

#3 opened on Jun. 2010 at Megabox

■ Themes for current FY

Found successful 'Village Vanguard' store model overseas and restore profitability

1) HR education

Replace the store manager with local staff as soon as possible

2) Control distribution cost

a) Development of new suppliers

b) Improve means and frequency of transportation for merchandize exported from Japan. Establish a distribution system by reducing the distribution cost while maintaining the store operation

■ New stores

No plan of opening new stores

FY05/11 Plan

(units: million yen)

	Q1	Q2	Q3	Q4
Sales	51	102	162	209
Operating Profit	-11	-17	-20	-26

