

**Q3 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)



FY05/11 Q3 vs. forecast and Q4 forecast reflect revised budget.

(Million Yen)

Income Statement (Million Yen)	FY05/09				FY05/10				FY05/11			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	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>9,125</b>	<b>11,397</b>	<b>9,797</b>
SG&A	2,270	2,723	2,798	2,831	2,799	2,879	3,069	3,117	3,120	3,265	3,401	3,601
Labor	995	1,094	1,150	1,198	1,248	1,246	1,327	1,393	1,471	1,486	1,526	1,544
Rent	632	650	833	752	753	732	883	817	828	824	991	897
Depreciation	69	95	108	113	102	108	113	120	113	125	119	221
<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>620</b>	<b>1,372</b>	<b>282</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>643</b>	<b>1,391</b>	<b>264</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>299</b>	<b>733</b>	<b>121</b>
Sales YoY	16.2%	21.5%	23.0%	19.0%	17.5%	10.9%	5.7%	8.9%	8.4%	10.3%	10.8%	3.6%
SG&A YoY	-22.3%	33.5%	30.1%	28.9%	23.3%	5.7%	9.7%	10.1%	11.4%	13.4%	10.8%	15.5%
Labor YoY	-19.8%	23.9%	27.4%	30.2%	25.4%	13.9%	15.4%	16.3%	17.8%	19.3%	15.0%	10.8%
Rent YoY	-17.5%	22.0%	24.9%	19.9%	19.1%	12.6%	6.0%	8.6%	9.9%	12.6%	12.2%	9.8%
Depreciation YoY	-9.6%	69.6%	50.0%	41.3%	47.8%	13.7%	4.6%	6.2%	11.2%	15.7%	5.3%	84.2%
Operating Profit YoY	8.0%	-31.8%	9.4%	23.2%	9.3%	46.5%	4.5%	-12.8%	-2.2%	13.1%	14.0%	-62.6%
Recurring Profit YoY	9.4%	-30.8%	8.9%	20.0%	8.1%	43.5%	4.2%	-11.0%	-2.8%	14.6%	14.7%	-65.6%
Net Profit YoY	8.3%	-30.5%	1.3%	148.9%	11.6%	39.7%	6.0%	-8.1%	-42.0%	0.0%	14.4%	-71.9%
Operating Profit Margin	10.0%	5.0%	11.8%	10.0%	9.3%	6.6%	11.7%	8.0%	8.3%	6.8%	12.0%	2.9%
Recurring Profit Margin	10.3%	5.2%	12.0%	9.9%	9.4%	6.8%	11.8%	8.1%	8.4%	7.0%	12.2%	2.7%
Net Profit Margin	5.6%	2.9%	6.2%	5.4%	5.4%	3.6%	6.2%	4.5%	2.9%	3.3%	6.4%	1.2%
Versus plan												
Sales				3.0%	1.0%	-0.2%	-1.3%	-8.9%	0.9%	1.9%	-0.3%	
SG&A				-2.0%	0.9%	-1.9%	-1.6%	-5.6%	-1.8%	-2.2%	1.3%	
Operating Profit				66.9%	4.2%	5.6%	0.5%	-24.3%	11.4%	47.3%	5.3%	
Recurring Profit				67.4%	5.0%	8.1%	1.2%	-25.1%	13.0%	51.3%	4.3%	
Net Income				80.1%	6.0%	0.7%	-4.6%	-24.7%	15.6%	37.8%	11.1%	

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

# Balance Sheet (Consolidated)



Estimated values for Q4 FY05/11 reflect the revised budget.

(Million Yen)

Balance Sheet (Million Yen)	FY05/09				FY05/10				FY05/11			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4 Est
Cash & Deposit	2,750	2,387	3,011	3,078	2,685	2,957	3,503	4,037	3,045	3,378	3,582	3,460
Inventories	11,340	13,711	13,881	14,131	15,003	15,928	15,315	15,466	16,182	17,044	16,726	17,031
Other	2,421	2,372	2,225	2,486	2,601	2,345	2,448	2,641	2,977	2,630	2,675	2,967
<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>23,053</b>	<b>22,984</b>	<b>23,459</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>4,668</b>	<b>4,780</b>	<b>4,958</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>27,721</b>	<b>27,765</b>	<b>28,417</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>8,338</b>	<b>7,858</b>	<b>8,179</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>4,711</b>	<b>4,507</b>	<b>4,712</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>12,428</b>	<b>13,049</b>	<b>12,365</b>	<b>12,891</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>14,671</b>	<b>15,399</b>	<b>15,525</b>

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

# Cash Flow(Consolidated)



Estimated values for Q4 FY05/11 reflect the revised budget.

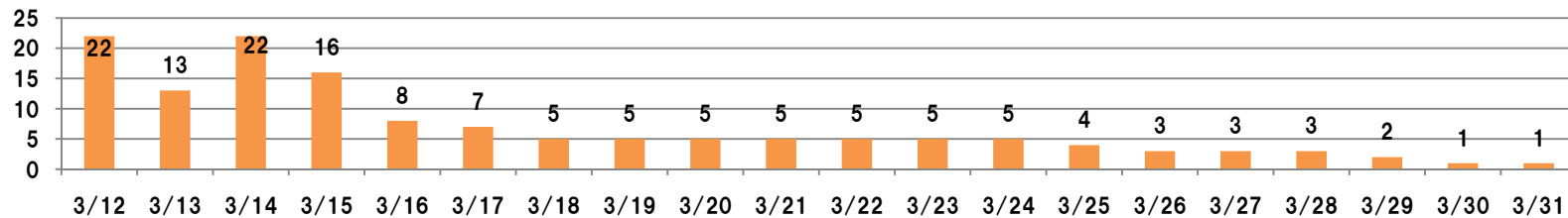
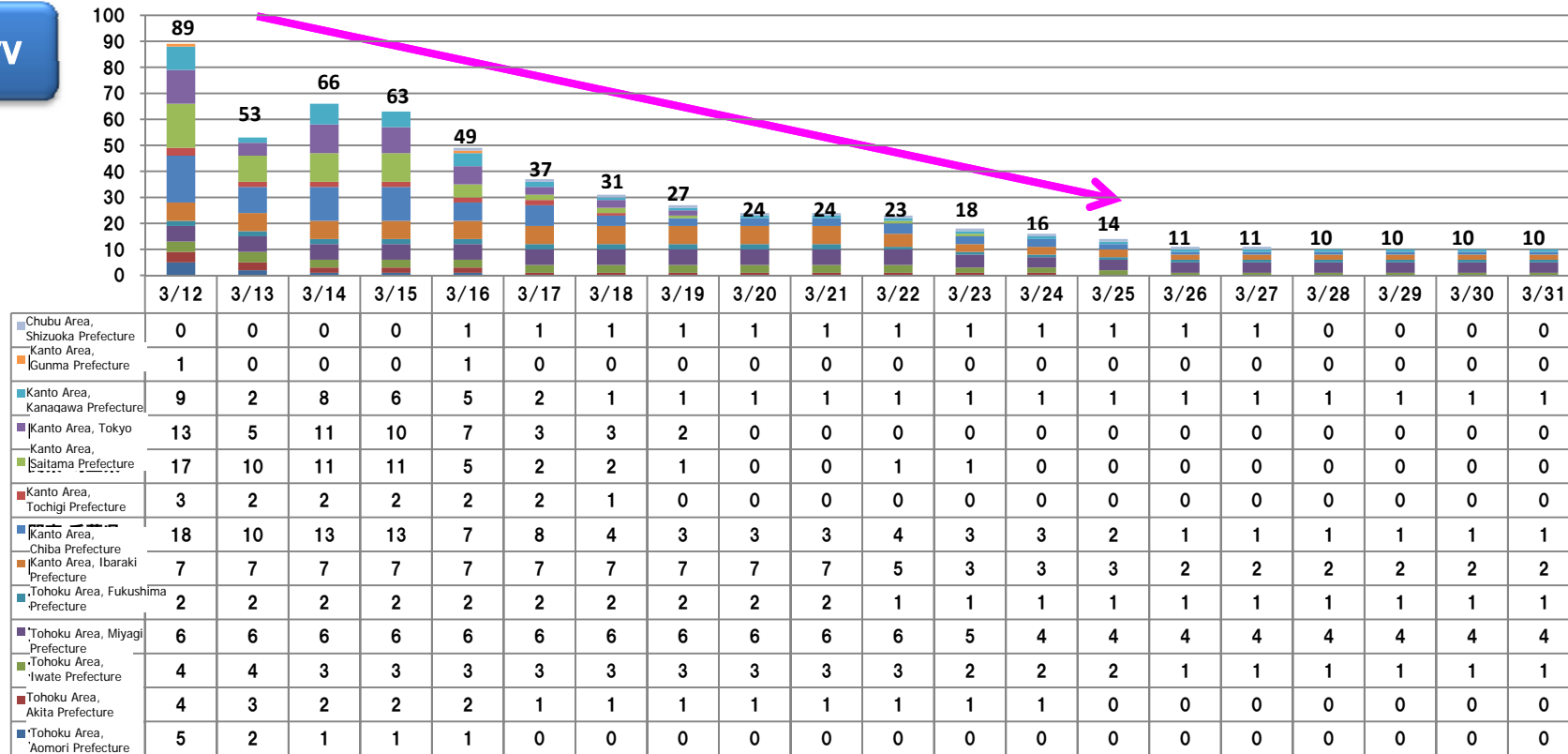
(Million Yen)

Cash Flow Statement (Million Yen)	FY05/09				FY05/10				FY05/11			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	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>-347</b>	<b>-111</b>	<b>508</b>
Change in Inventories	-412	-2,783	-2,953	-3,203	-872	-1,796	-1,183	-1,335	-644	-1,506	-1,191	-1,464
Other	-6	2,250	1,194	2,467	579	1,650	1,481	2,983	-86	1,854	1,079	1,972
<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>-428</b>	<b>-669</b>	<b>-1,091</b>
Change in Tangible Fixed Assets	-127	-798	-947	-1,166	-104	-212	-309	-487	-93	-234	-374	-499
Change in Other Assets	-112	-383	-550	-636	-82	-262	-291	-248	-63	-194	-295	-592
Financing Cash Flow	422	1,119	3,284	2,633	86	503	728	47	-141	80	290	-30
<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>-776</b>	<b>-780</b>	<b>-583</b>

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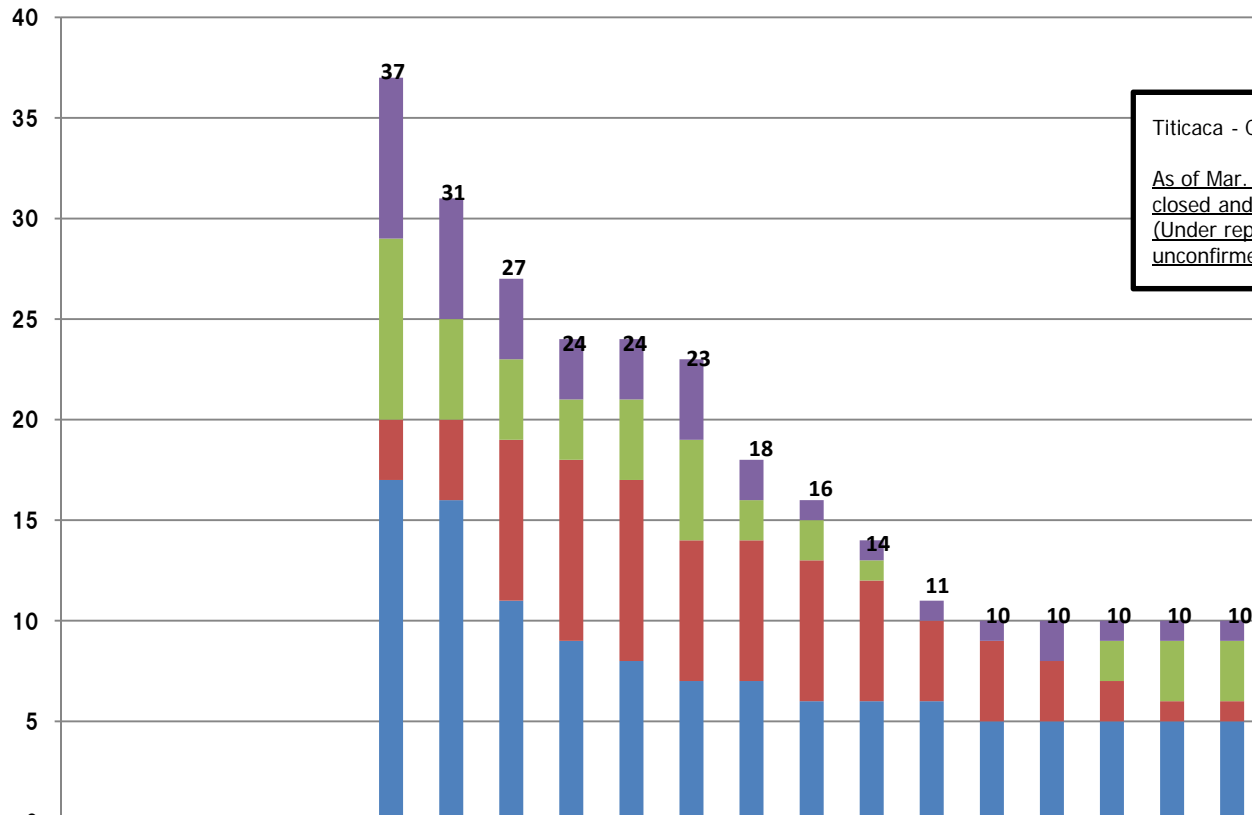
# Impact of the Tohoku Earthquake

## (1) Affected stores: Numbers of stores temporarily closed



# Impact of the Tohoku Earthquake

## (2) Affected stores: Types of closed stores



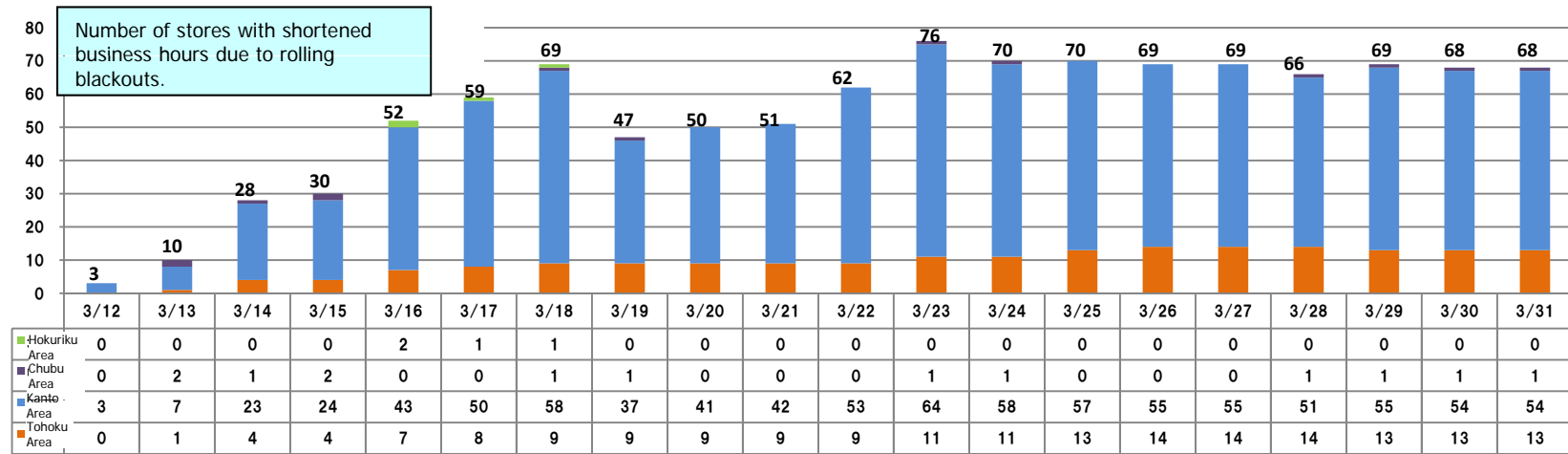
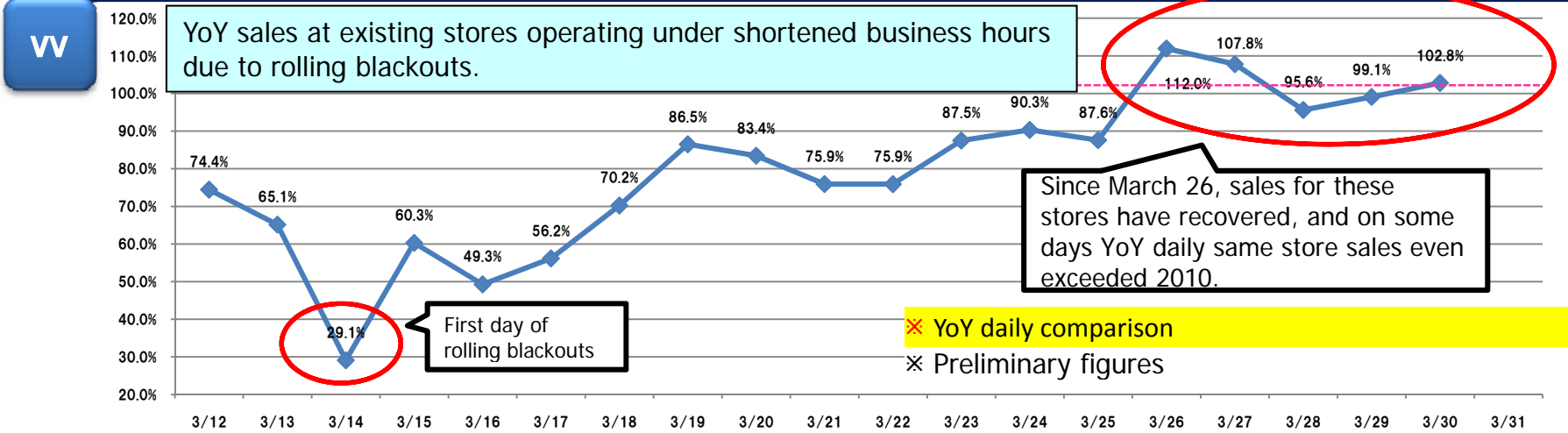
Titicaca - Closed stores

As of Mar. 31<sup>st</sup> one Titicaca store was closed and categorized under Group B (Under repair; date of reopening unconfirmed).

Group D: Store operational, but building closed						8	6	4	3	3	4	2	1	1	1	1	1	1	1	1
Group C: Scheduled to reopen soon						9	5	4	3	4	5	2	2	1	0	0	0	2	3	3
Group B: Under repair; date of reopening unconfirmed						3	4	8	9	9	7	7	7	6	4	4	3	2	1	1
Group A: No dates for reopening or restoration						17	16	11	9	8	7	7	6	6	6	5	5	5	5	5

# Impact of the Tohoku Earthquake

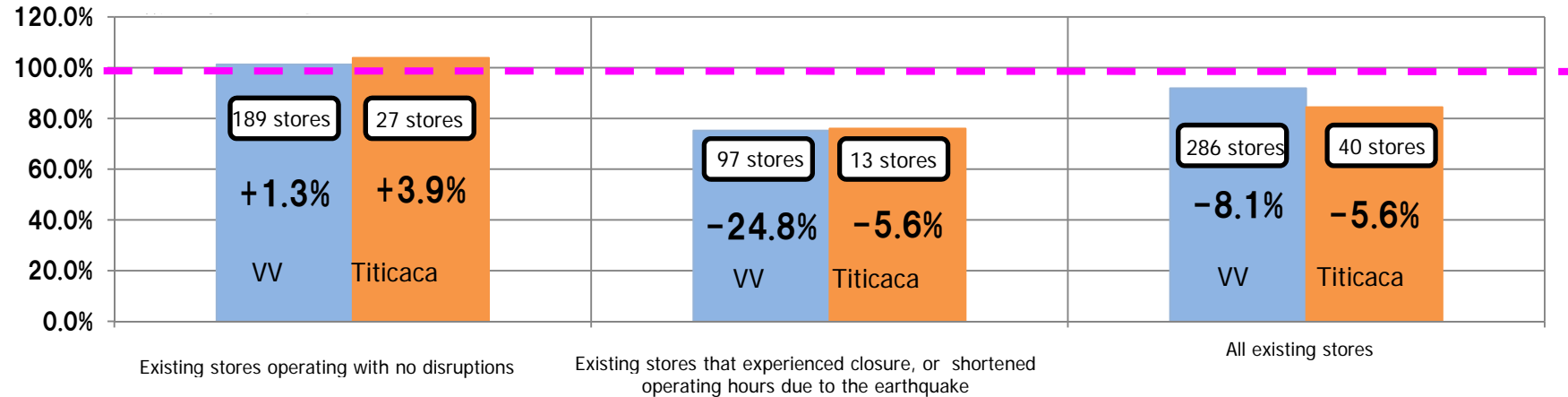
## (3) Affected stores: YoY comparable store sales for stores operating under shortened business hours due to rolling blackouts.





# Impact of the Tohoku Earthquake

## March YoY comparable store sales (preliminary figures)



Due to the March 11<sup>th</sup> Tohoku Earthquake, some VV and Titicaca stores sustained damages. As of end-March, most of the affected stores had reopened.

However, some stores in the Tohoku and Kanto areas remain closed, or are operating under shortened business hours due to rolling blackouts. A more detailed investigation of the situation is underway to assess fully the damage.

Future aftershocks and/or rolling blackouts may prevent more stores from operating normally and affect our group. It is difficult currently to estimate the full financial impact from the earthquake and blackouts, however, we will disclose promptly any revised financial forecasts.

## Parent Company

Village Vanguard Corporation

# What We Do



## ■ Village Vanguard

“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. Offering excitement beyond just toys.



## ■ Online

The fun of VV—always available and always casual. A selection of over 6,000 books, variety goods & CDs.

# Examples of Our Merchandising Approach (1)

We offer merchandise by creating a 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 tape

Photography book

DVD including airborne imagery of night scenes of Tokyo



# Examples of Our Merchandising Approach (2)





# Examples of Our Merchandising Approach (3)



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

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

Store level ideas driving buying impulse 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

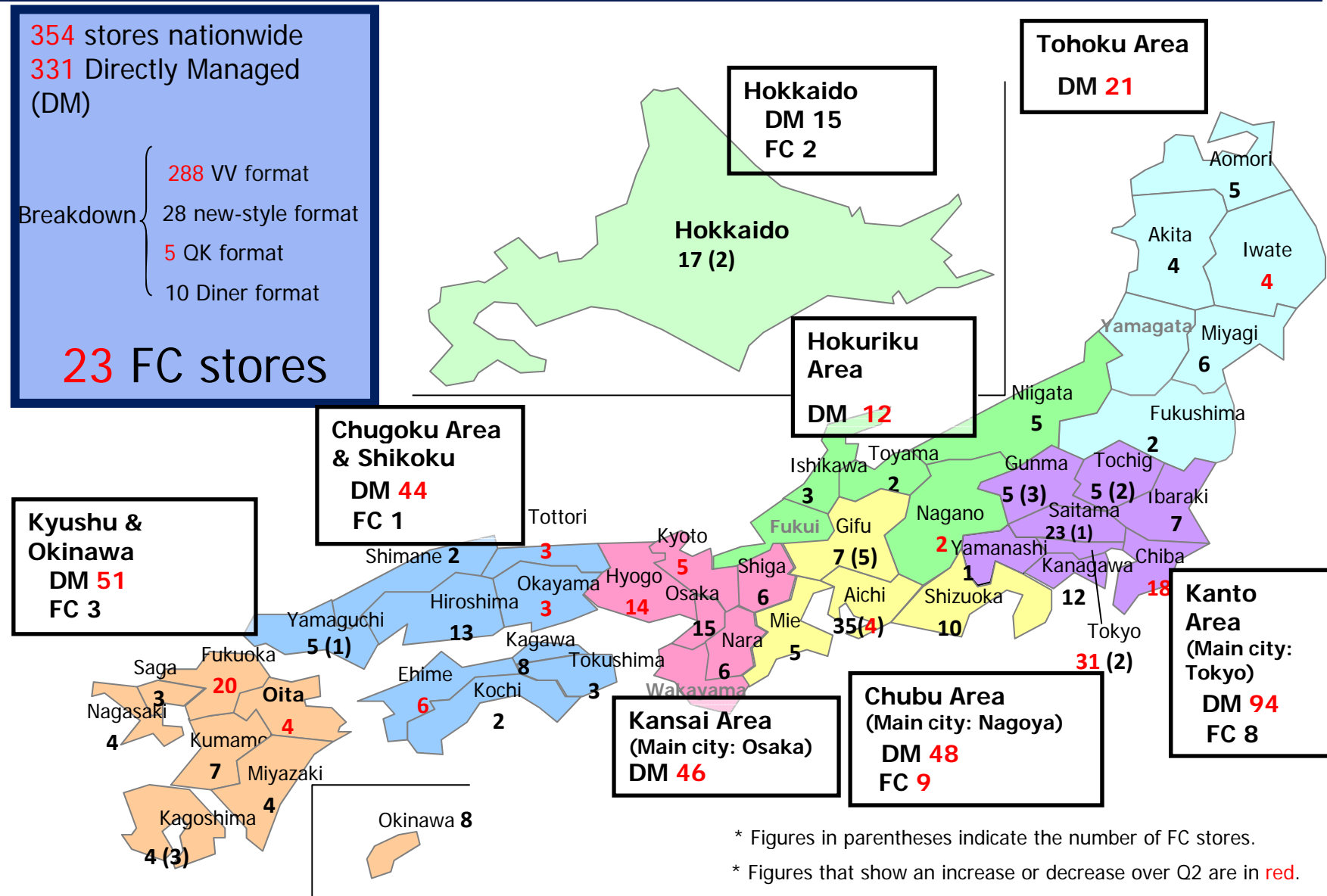


# Store Openings (Parent)

Store data as end-February 2011



**354** stores nationwide  
**331** Directly Managed (DM)  
 Breakdown  
 { 288 VV format  
 28 new-style format  
 5 QK format  
 10 Diner format  
**23** FC stores



\* Figures in parentheses indicate the number of FC stores.  
 \* Figures that show an increase or decrease over Q2 are in red.

# Parent Income Statement

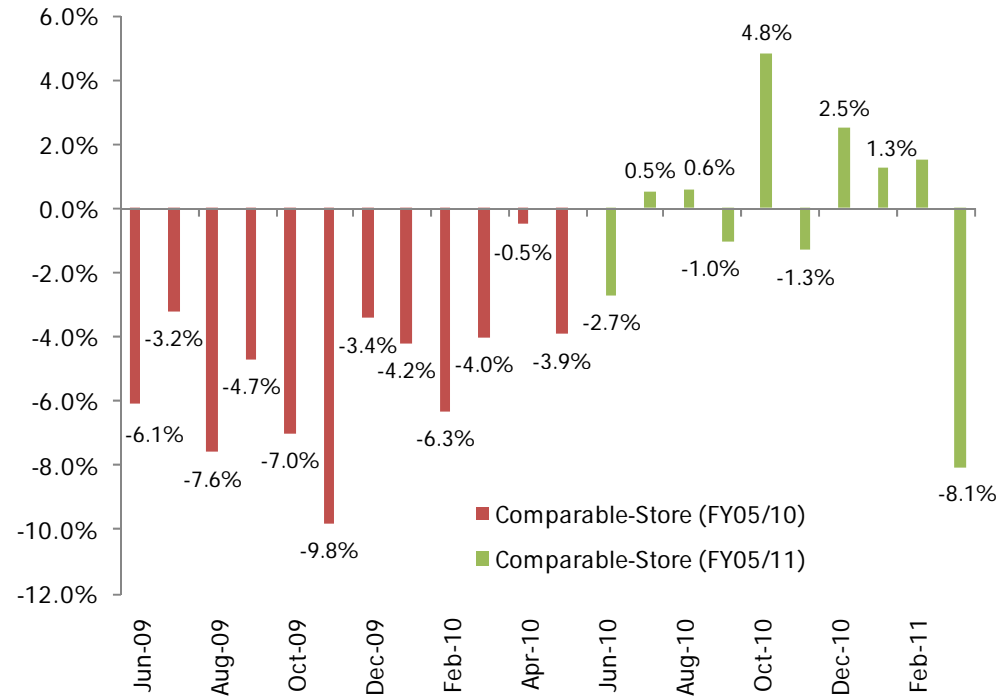


FY05/11 Q3 versus forecast and Q4 forecast figures reflect revised budget.

(Million Yen)

Income Statement (Million Yen)	FY05/09				FY05/10				FY05/11			
	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>8,402</b>	<b>10,776</b>	<b>9,389</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>3,403</b>	<b>4,354</b>	<b>3,599</b>
SG&A	2,092	2,521	2,586	2,622	2,567	2,610	2,776	2,815	2,762	2,869	3,015	3,240
Labor	911	1,002	1,052	1,099	1,137	1,137	1,191	1,259	1,306	1,318	1,354	1,365
Rent	584	600	781	705	705	674	822	751	746	732	906	820
Depreciation	67	91	102	107	95	100	103	107	97	107	99	149
<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>534</b>	<b>1,339</b>	<b>359</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>564</b>	<b>1,368</b>	<b>354</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>273</b>	<b>731</b>	<b>180</b>
Sales YoY	16.0%	20.5%	22.3%	18.3%	16.6%	9.6%	4.8%	7.3%	6.2%	7.3%	9.0%	4.2%
Operating Profit YoY	7.3%	-35.8%	7.6%	20.7%	7.5%	44.6%	5.7%	-13.2%	-5.9%	2.9%	9.9%	-53.3%
Recurring Profit YoY	9.3%	-34.4%	7.0%	17.2%	6.3%	41.3%	5.3%	-10.7%	-5.9%	4.3%	10.8%	-55.2%
Net Profit YoY	8.3%	-36.2%	2.1%	66.0%	8.9%	33.7%	4.2%	-14.7%	-41.5%	-1.8%	10.1%	-58.0%
Gross Profit Margins	39.8%	40.3%	39.6%	41.8%	40.5%	40.0%	40.4%	39.8%	39.8%	40.5%	40.4%	38.3%
Operating Profit Margin	10.3%	5.0%	12.2%	10.5%	9.5%	6.6%	12.3%	8.5%	8.4%	6.4%	12.4%	3.8%
Recurring Profit Margin	10.7%	5.4%	12.4%	10.6%	9.7%	6.9%	12.5%	8.8%	8.6%	6.7%	12.7%	3.8%
Net Profit Margin	5.9%	2.9%	6.7%	6.0%	5.5%	3.6%	6.7%	4.8%	3.0%	3.2%	6.8%	1.9%
Versus Plan												
Sales					1.2%	0.2%	-0.8%	-9.3%	0.6%	1.3%	-0.4%	
SG&A					1.3%	-1.8%	-1.8%	-5.7%	-1.6%	-2.8%	0.9%	
Operating Profit					3.6%	6.7%	2.9%	-25.1%	7.3%	45.1%	6.9%	
Recurring Profit					4.9%	6.9%	3.1%	-23.6%	8.4%	47.3%	6.0%	
Net Profit					5.8%	-1.5%	-1.1%	-26.0%	8.1%	35.1%	11.3%	

# Comparable Store Sales (Village Vanguard Stores)



# Comparable Store Sales (All Parent Formats)



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>16,240</b>	<b>26,350</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>	<b>0.2%</b>	<b>0.8%</b>	
Village Vanguard	5,964	11,493	18,538	24,787	6,110	12,025	20,152	27,440	7,362	14,339	23,345	
Comp Stores YoY	4.5%	2.9%	1.8%	0.4%	-5.7%	-6.0%	-5.5%	-4.8%	-0.3%	0.0%	0.7%	
new style	351	703	1,185	1,555	373	805	1,468	2,050	624	1,230	1,978	
Comp Stores YoY	-4.8%	-3.1%	-4.3%	-5.1%	-10.3%	-10.3%	-5.4%	-3.6%	2.7%	4.7%	3.2%	
QK	67	146	251	347	105	213	368	497	140	259	382	
Comp Stores YoY	8.5%	3.7%	-1.0%	-2.0%	-12.5%	-22.5%	-19.8%	-19.0%	-7.9%	-1.2%	1.4%	
Online	32	71	132	181	53	109	195	258	58	113	200	
Comp Stores YoY	166.5%	146.3%	111.8%	85.7%	63.4%	52.0%	47.4%	43.0%	6.3%	2.6%	1.7%	
Diner	78	159	251	354	92	199	313	448	147	296	443	
Comp Stores YoY	1.7%	4.7%	4.1%	3.4%	-3.8%	-13.6%	-15.2%	-15.6%	-11.1%	-7.3%	-5.0%	

※QoQ figures are used for determining comparable store sales

# Sales by Category



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	6,780	6,461	8,609	
(Internal Sourcing Team)	1,180	2,512	4,516	6,254	1,578	3,143	5,440	7,344	1,752	3,522	6,235	
(Other)	3,928	7,839	12,937	17,510	4,614	8,975	14,464	19,464	5,027	9,718	15,614	
Books (Parent)	1,038	1,041	1,171	1,087	1,045	997	1,147	1,117	1,023	1,039	1,178	
NM (Parent)	810	723	997	801	844	664	771	769	790	719	804	
Other (Parent)	139	135	168	199	189	238	185	218	188	184	184	
<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>8,402</b>	<b>10,776</b>	
<b>Composition</b>												
SPICE (Parent)	72.0%	73.6%	75.2%	75.1%	74.9%	75.7%	78.7%	76.6%	77.2%	76.9%	79.9%	
(Internal Sourcing Team)	16.6%	17.6%	19.1%	19.5%	19.1%	19.5%	20.9%	21.0%	20.0%	20.5%	22.3%	
(Other)	55.4%	55.1%	54.6%	54.6%	55.8%	55.8%	55.7%	55.6%	57.2%	56.6%	55.8%	
Books (Parent)	14.6%	14.6%	12.4%	12.9%	12.6%	12.7%	11.6%	12.4%	11.6%	12.4%	10.9%	
NM (Parent)	11.4%	10.1%	10.6%	9.5%	10.2%	8.5%	7.8%	8.5%	9.0%	8.6%	7.5%	
Other (Parent)	2.0%	1.9%	1.8%	2.4%	2.3%	3.0%	1.9%	2.4%	2.1%	2.2%	1.7%	

## Comparable Store Sales (by Store Age)



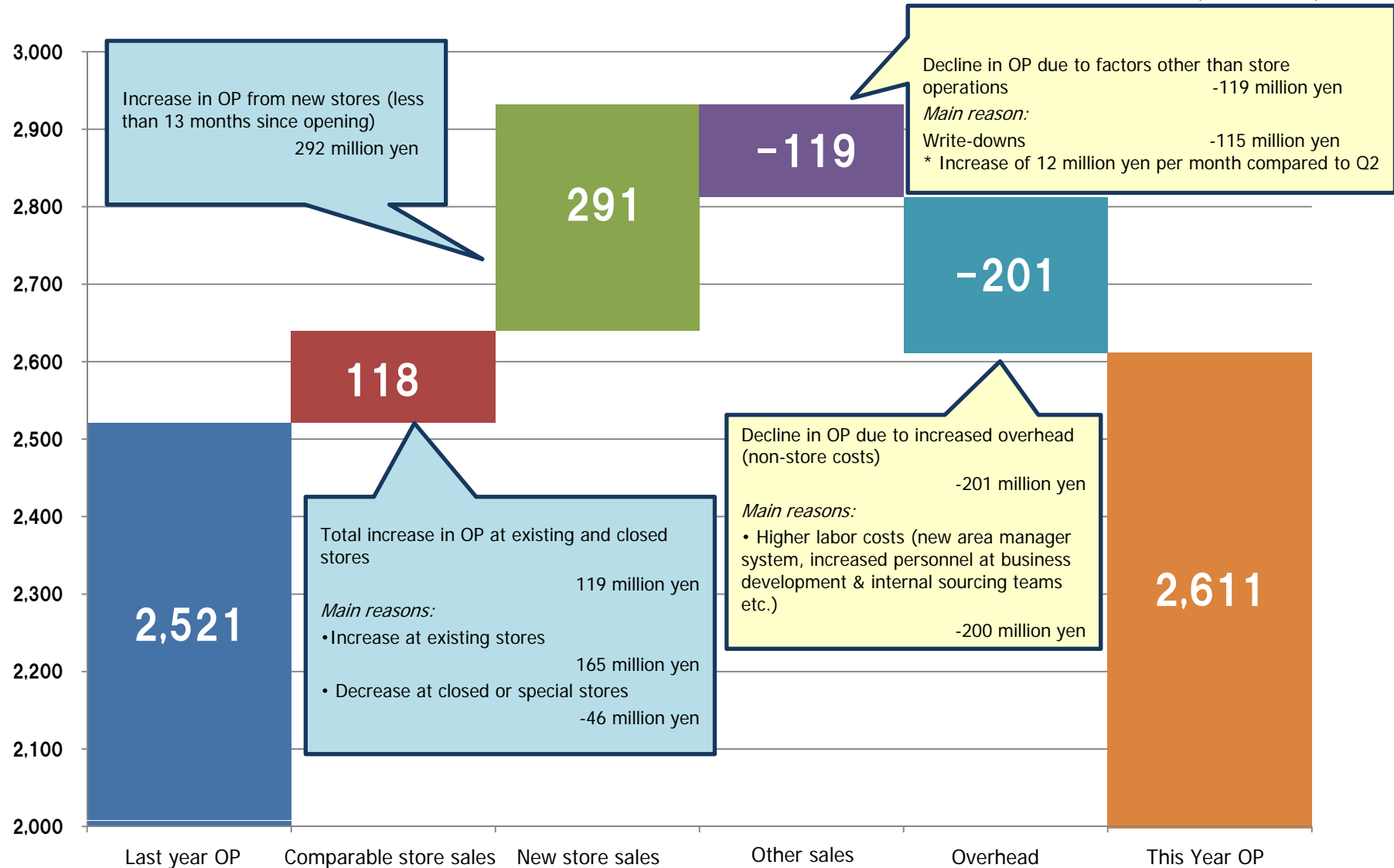
Year In Operation (Directly Managed Stores)	6th and Older	5th	4th	3rd	2nd	1st
Number of Stores *	135	43	21	59	34	39
YoY Sales (%)	-2.5%	0.9%	1.2%	4.0%	7.0%	-

\*excluding online and closed stores

\*1 Mobile stores and closed stores are excluded.

# OP Analysis

(Million Yen)



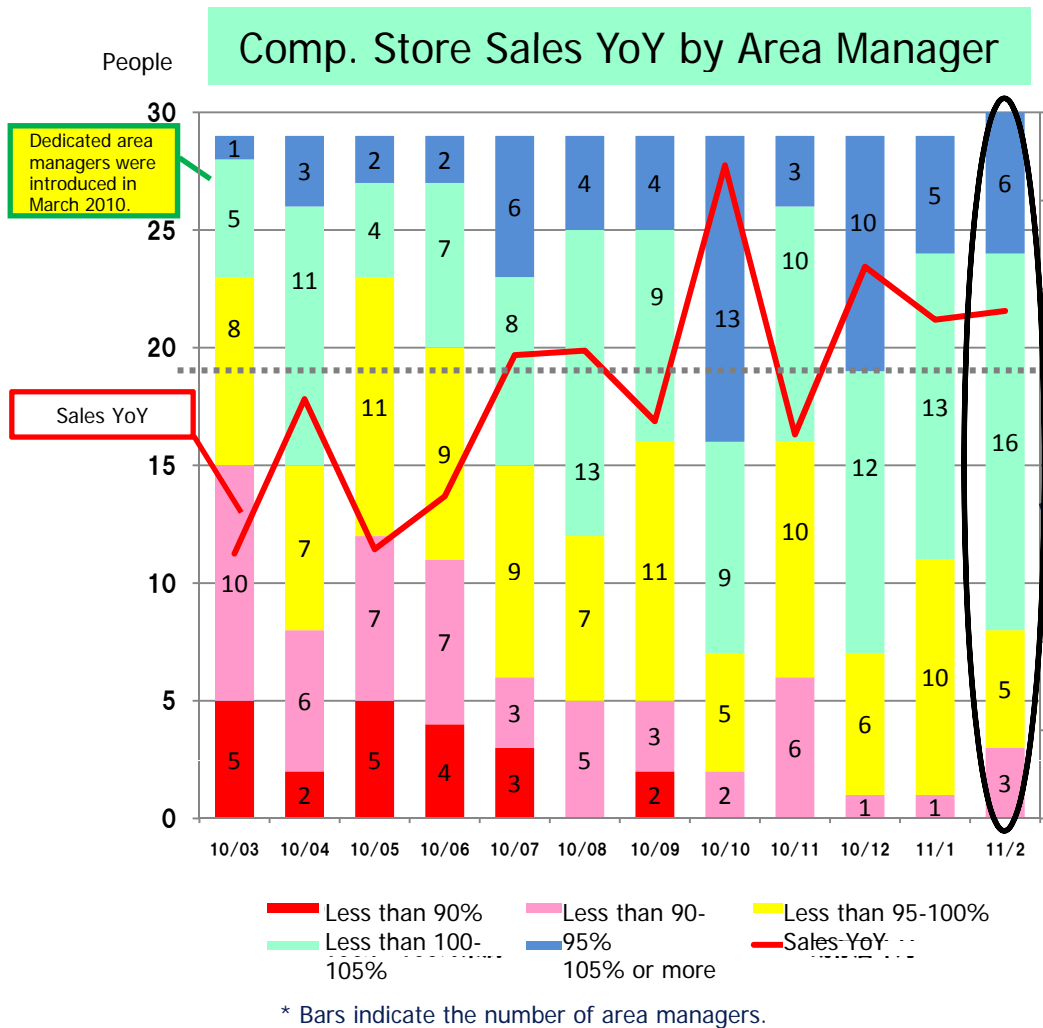
# Store Openings (Incl. Titicaca Subsidiary)



New Openings & Closures	FY05/09Act Full-Year	FY05/10Act Full-Year	FY05/11Act 1H	FY05/11Act Q3	FY05/11Est Q4	FY05/11Est Full-Year
<b>Openings</b>						
Village Vanguard	42	30	16	12	11	39
new style	8	1	2	12	4	7
QK	5	0	0	0	0	0
Diner	4	1	0	0	0	0
FC	0	2	0	0	0	0
Titicaca	12	16	5	5	5	15
<b>Total New Openings</b>	<b>71</b>	<b>50</b>	<b>23</b>	<b>29</b>	<b>20</b>	<b>61</b>
<b>Closures</b>						
Village Vanguard	6	6	3	2	3	8
new style	0	0	0	0	0	0
QK	0	0	1	2	0	4
Diner	0	0	0	0	0	0
FC	2	6	1	1	1	3
Titicaca	7	1	2	1	1	4
<b>Total Closures</b>	<b>15</b>	<b>13</b>	<b>7</b>	<b>6</b>	<b>5</b>	<b>19</b>



## Sales Improvement from the Introduction of Dedicated Area Managers



Dedicated area managers were introduced in March 2010  
 \* Playing managers were in charge before March 2010

Cumulative sales this year through February vs. last year are +0.8%.

Revamping of area organization in February 2011  
 Area managers were changed and new staff added or transferred.

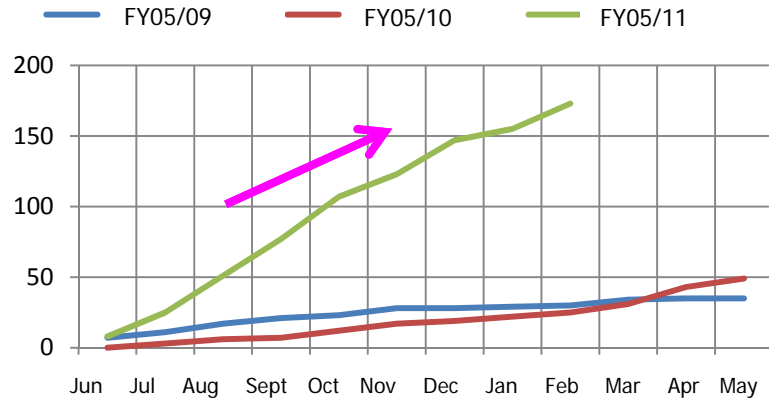
**Objective:**  
 Enhancing management skills

**Challenge**  
 Achieving continuous growth at the store level through improvement in management skills

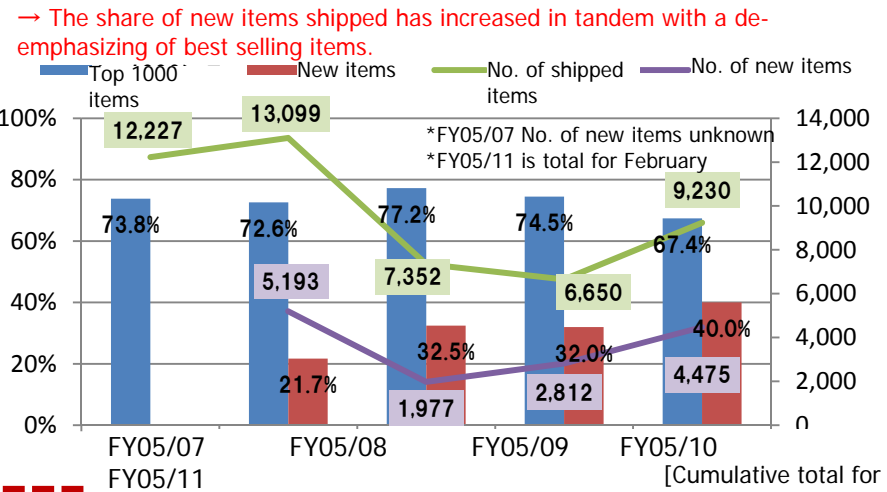
## Expanding merchandise variation by splitting the internal sourcing team into two competing units

Despite an increase in the number of suppliers shipping merchandise and a higher share of shipments of new products through the efforts of the two competing units ...

**Increase in the number of newly contracted suppliers**

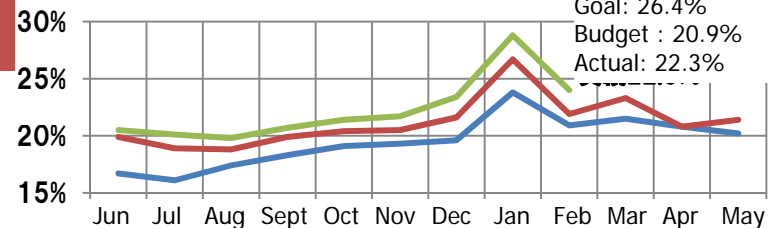


**Breakdown of share for Top 1000 selling and New items**



Sales share of internal sourcing teams at store level (full-year target 27.5%)

Internal sourcing team sales to stores is tracking established trends rather than showing strong growth



Improving the quality and speed of product releases by getting product development and business development teams to work with and compete against each other.

# Theme 3

## Impact of organizational changes (Themes 1 & 2) in FY05/11

Costs were included in FY05/11 budget but any positive effects were not

	Theme 1 Dedicated area managers	Theme 2 Two HQ sourcing teams
Impact on FY05/11 (included in budget)	Cost increase of 450 million yen	Cost increase of 150 million yen
Desired effect for FY05/11 (not included in budget)	Comparable Store Sales <u>+4.5% increase vs. budget</u>	Weight of merchandise sourced through internal sourcing teams <u>+7% vs. budget</u> → <u>1% improvement</u> in GPM of directly-managed stores
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% increase vs. budget</u> (profit +40 million yen)	Sourcing merchandise through internal sourcing teams <u>+0.8% over the budget</u> (profit +5 million yen)
Q2 achievements	Comparable Store Sales <u>+1.9% vs. budget</u> (profit +79 million yen)	Sourcing merchandise through internal sourcing teams <u>+1.2% over the budget</u> (profit +23 million yen)
Q3 achievements	Comparable Store Sales <u>+4.8% vs. budget</u> (profit +237 million yen)	Sourcing merchandise through internal sourcing teams <u>+2.2% over the budget</u> (profit +86 million yen)
Q3 cumulative achievements	Comparable Store Sales <u>+2.9% vs. budget</u> (profit +357 million yen)	Comparable Store Sales <u>+1.4% over the budget</u> (profit +114 million yen)

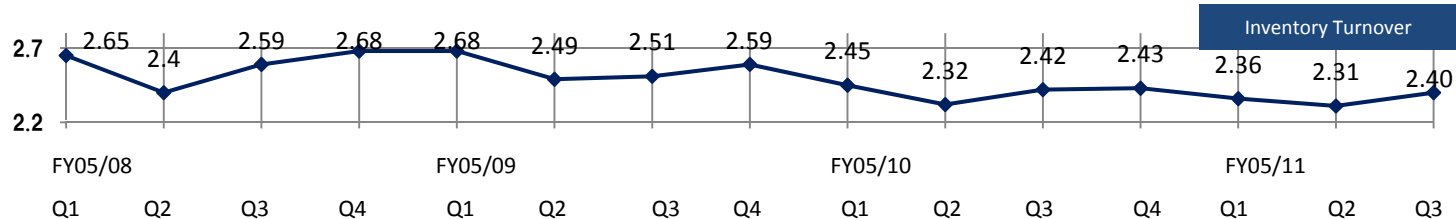
\*Calculated based on initial budget.

## Inventory Control

Existing Store Inventory Trends

(Million Yen)	FY05/09 Q3	FY05/09 Q4	FY05/10 Q1	FY05/10 Q2	FY05/10 Q3	FY05/10 Q4	FY05/11 Q1	FY05/11 Q2	FY05/11 Q3
<b>Cash Flows From Operations</b>	-1,694	-669	-197	-173	380	1,756	-718	-523	-214
<b>Net Income Before Tax</b>	2,276	3,149	821	1,320	2,498	3,256	502	1,015	2,371
<b>Net Increase (Decrease) In Inventories</b>	-2,900	-3,107	-770	-1,711	-1,048	-1,101	-605	-1,493	-1,112
<b>Existing Stores</b>	899	666	463	1,006	356	348	340	760	301
<b>New Stores</b>	2,082	2,620	463	962	1,113	1,292	321	832	1,296
<b>Other Stores</b>	-24	-100	-129	-203	-339	-355	10	31	-287
<b>Valuation Charge</b>	-57	-79	-27	-55	-82	-183	-66	-132	-198
<b>Other</b>	-1,070	-711	-248	216	-1,070	-352	-615	-45	-1,473
Cash Flow from Investment	-1,379	-1,678	-145	-402	-479	-538	-138	-393	-558
Cash Flow from Financing	3,044	2,383	20	78	491	-371	-227	-43	225
Free Cash Flow	-3,073	-2,347	-342	-576	-99	1,217	-856	-916	-772
Reference									
Number of existing stores (unit: stores)	211	219	226	254	261	272	282	284	283
Inventory change per existing store during the term	4.2	3.0	2.0	3.9	1.3	1.2	1.2	2.6	1.0

Existing Store Inventory Turnover

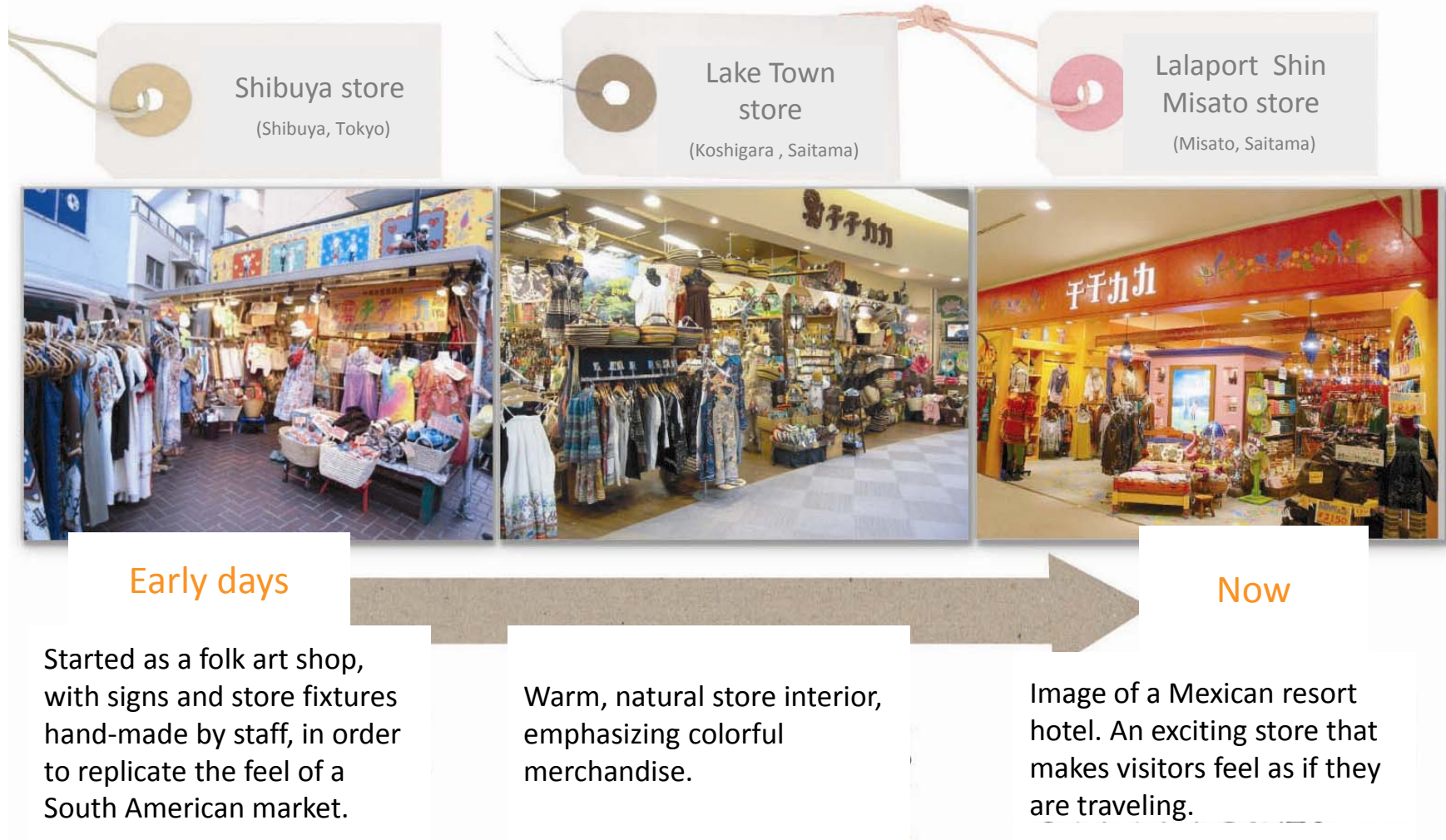


\* Cash flows are unaudited and are calculated on a simplified method.





# Outside Titicaca Stores



## Outside Of New Stores



### New Store Design

With the aim of creating colorful, vibrant stores to provide a fun atmosphere for customers, we have designed stores with a genuine Mexican resort hotel motif. We have taken particular care to create an atmosphere that lets customers enjoy the feeling of shopping in Central and South America, by using wooden shelves for displaying goods and selling glass lamps and clothing racks that are actually used in Mexico.





# Inside Titicaca Stores



Apparel



Accessories



Silver Accessories





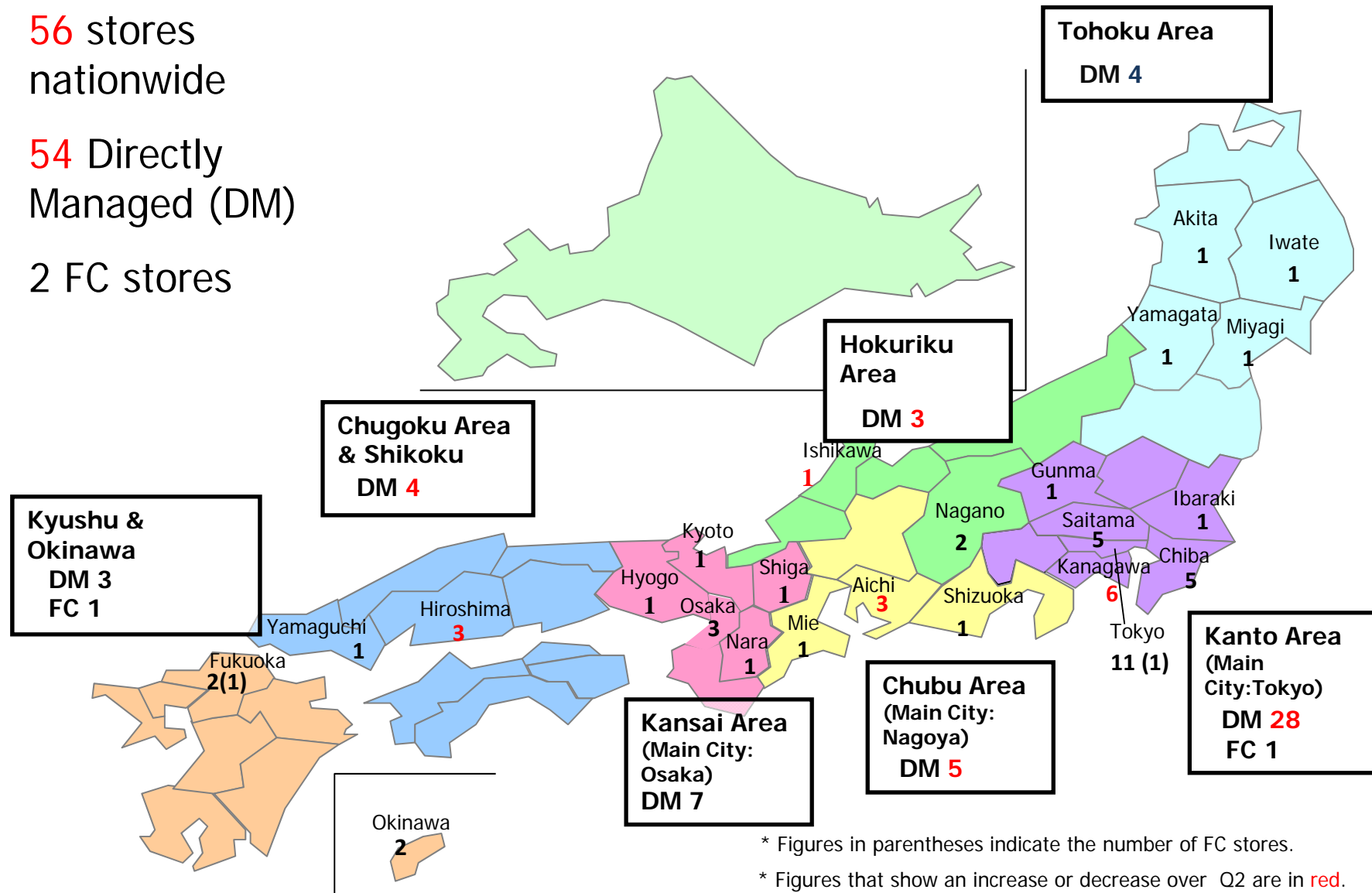
# Store Openings Store data as of end-February 2011



56 stores nationwide

54 Directly Managed (DM)

2 FC stores



\* Figures in parentheses indicate the number of FC stores.

\* Figures that show an increase or decrease over Q2 are in red.

# Titicaca - Results



## Income Statement

Met Q3 accumulated budget **Sales +51.4% YoY**

FY05/11 Q3 versus forecast and Q4 forecast reflect revised budget

Titicaca Income Statement (Million Yen)	FY05/10				FY05/11			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4 Est.
<b>Sales</b>	<b>361</b>	<b>474</b>	<b>416</b>	<b>467</b>	<b>579</b>	<b>720</b>	<b>630</b>	<b>418</b>
<b>Operating Profit</b>	<b>23</b>	<b>55</b>	<b>-10</b>	<b>-2</b>	<b>66</b>	<b>114</b>	<b>53</b>	<b>-57</b>
<b>Recurring Profit</b>	<b>20</b>	<b>50</b>	<b>-13</b>	<b>-8</b>	<b>60</b>	<b>110</b>	<b>47</b>	<b>-66</b>
<b>Net Profit</b>	<b>18</b>	<b>48</b>	<b>-14</b>	<b>12</b>	<b>26</b>	<b>54</b>	<b>25</b>	<b>-34</b>
Sales YoY	43.6%	47.2%	35.9%	56.2%	60.2%	51.9%	51.4%	-10.5%
Operating Profit YoY	124.8%	111.5%	-	-	180.3%	107.3%	-	-
Recurring Profit YoY	143.6%	138.1%	-	-	202.8%	120.0%	-	-
Net Profit YoY	125.6%	140.0%	-	-	41.4%	12.5%	-	-
Operating Profit Margins	6.4%	11.6%	-	-	11.4%	15.8%	8.4%	-
Recurring Profit Margins	5.5%	10.5%	-	-	10.4%	15.3%	7.5%	-
Net Profit Margins	5.0%	10.1%	-	2.6%	4.5%	7.5%	4.0%	-
Sales vs Plan	-3.2%	-2.7%	-9.0%	1.5%	9.2%	12.0%	-2.3%	
Operating Profit vs Plan	16.9%	30.8%	-	-	88.6%	62.9%	-33.8%	
Recurring Profit vs Plan	24.7%	36.2%	-	-	130.8%	74.6%	-40.5%	
Net Profit vs Plan	18.3%	27.4%	-	-	188.9%	54.3%	-30.6%	

# Titicaca - Results



## Sales Above Budget

**+6.1%** against the cumulative budget (+111 million yen)

\* All figures are against accumulated budget from the beginning of the term to Q3.

Existing stores: +5.7% (+69 million yen)      New stores: +6.8% (+34 million yen)

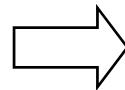
Wholesale and FC sales: +8.0% (+8 million yen)

Store Types	Amount vs. Budget	Breakdown
Existing stores	+69 million yen	Accumulated YoY sales resulted in 118.8% against revised plan, which estimated YoY sales of 112%.
New stores	+34 million yen	10 new stores successfully launched during Q3 (+22 million yen)

## SG&A Over Budget

**+1.9%** over budget (+19 million yen)

Major items	Vs. Budget (Million yen)
Store rent, promotion, etc.	+10.6
Commissions paid	+3.7
Advertising expenses	+1.6
Distribution expenses	+3.8
Depreciation expenses	+1.9
Labor costs	-4 million yen



-Sales performance-linked rent increased as store sales exceeded budgets.  
 -Continued from Q2, both sales and distribution costs rose as the frequency of replacement of merchandise in stores increased.  
 -Q3 comparable store sales for the online business achieved 188.5%, resulting in increased advertising expenses.



-Continued from Q2, shortage of sales staff in some stores.  
 -New stores opening in rural areas tended to struggle with recruiting.

## Improved Operating Margin

Greatly improved to **12.1%** from YoY OPM of 5.5%

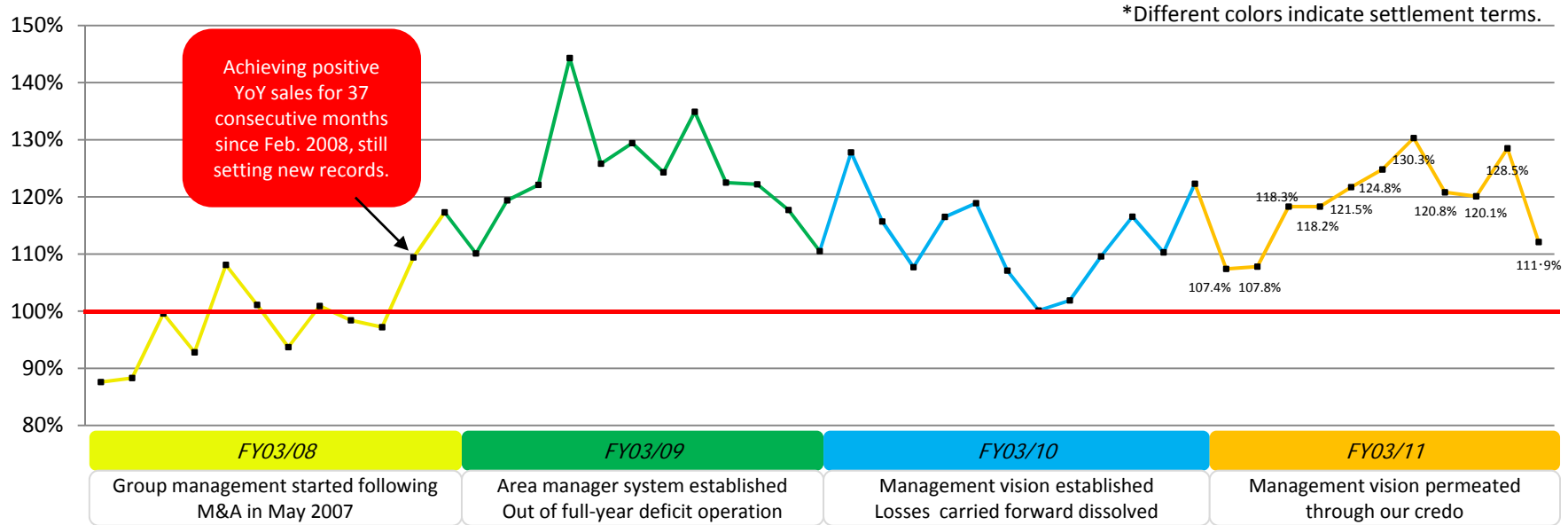
- (1) Comparable store sales during Q3 achieved **118.8%** YoY.
- (2) Net increase in the number of stores marked **10**, leading to a decrease in HQ SG&A per store of **8.2%**.

# Titicaca - Results



## Comparable store sales

Accumulated YoY through Q3 **+18.8%**



## Store Openings and Results

Full-year plan achieved.

Actual results predicted to exceed the plan by **7 stores**.

	FY03/09 Results	FY03/10 Results	FY03/11 Plan			FY03/11 Results	
	(Results)	(Results)	1H	2H	Full-year	1H	2H (Est.)
Store openings	12	16	4	4	8	5	<b>10</b>
Store closures	7	1	3	0	3	2	<b>2</b>

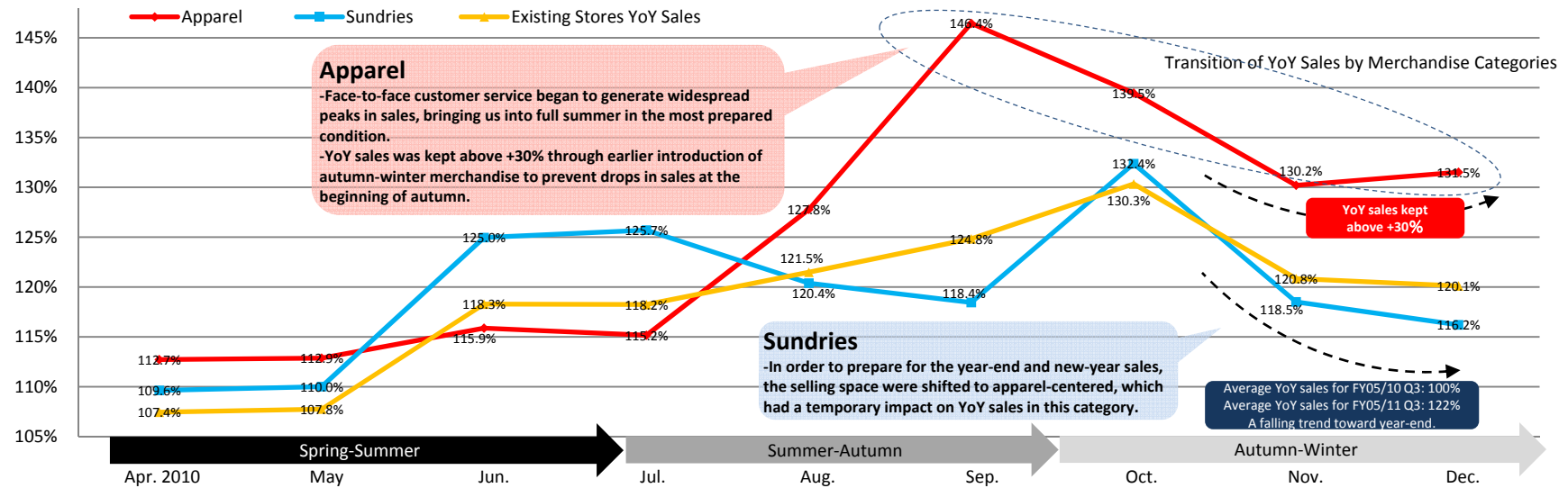
\*As at end of Feb. 2011 2<sup>nd</sup> half:  
6 stores opened and 2 stores closed so far

# Titicaca - Results



## YoY Sales by Merchandise Category

During July to December **the apparel category shows favorable sales**, with average YoY sales of **+31%** in this category for this period.



## Strategies by Merchandise Category

### Apparel

Expanding and upgrading the lineups by adding a sense of fashion to ethnic designs rooted in Central and South America **to develop new target customers.**

#### Examples



Traditional and typical ethnic clothing of Indian cotton, tie-dyed in patterns all over.



Trends and ethnic tradition match perfectly—toweling or nylon clothing featuring a moderate design of traditional ethnic patterns.



Shirts with pop bandana-like patterns and asymmetrically colored outdoor parkas take you to another world.

### Sundries

**Focusing on developing and delivering everyday sundry goods** that are resistant to seasonal demands in order to realize stable sales throughout the year.



Titicaca's original dishes and glasses featuring Central and South American motifs.



Appealing to the customers not only through the merchandise itself, but also by creating special fixtures.



You can introduce Titicaca style into your life through room furnishings such as curtains and rugs.

# Village Vanguard (Hong Kong) Limited

## Company Profile

(Consolidated from FY05/11)



# Inside Stores (VVHK)





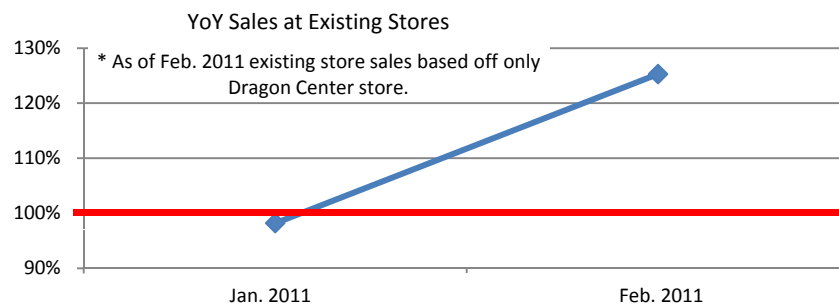
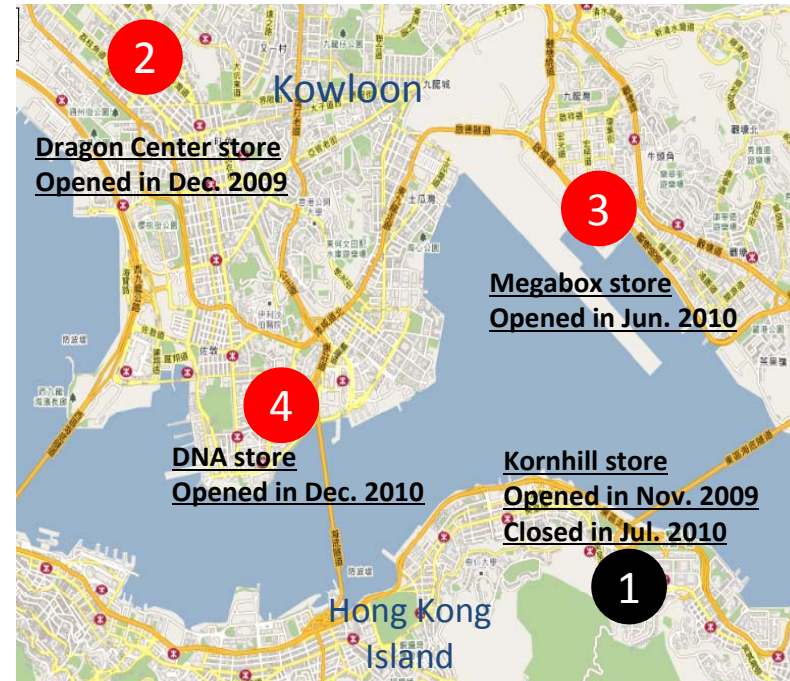
# Village Vanguard Hong Kong - Results

FY05/11 Q3 versus forecast and Q4 forecast figures reflect revised budget.

FY05/11 Results vs. Plan (Million Yen)	Results			Estimates
	Q1	Q2	Q3	Q4
<b>Sales</b>	36	23	31	26
<b>Gross Profit</b>	15	10	14	12
<b>Operating Profit</b>	-10	-16	-5	-15
<b>Recurring Profit</b>	-10	-16	-5	-15
<b>Net Profit</b>	-10	-19	-4	-15
Sales vs Plan	-29.6%	-65.1%	0.0%	
Gross Profit vs Plan	-32.1%	-66.5%	0.0%	
Operating Profit vs Plan	-	-	-	
Recurring Profit vs Plan	-	-	-	
Net Profit vs Plan	-	-	-	

## Shop Opening

3 Directly Managed stores ● (as of end-Feb. 2011)



## Store Opening Plan

Plan at start of term	Results
Openings: 0	Openings: 1 (*Dec. 2010)
Closures: 0	Closures: 1 (*mid-Jul. 2010)

### Future plans

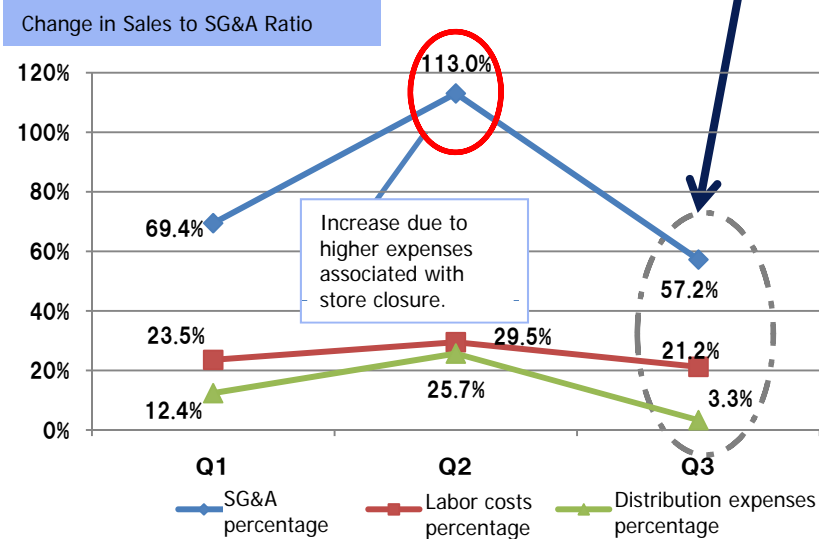
No openings or closures planned



## Strategy for operating profitability

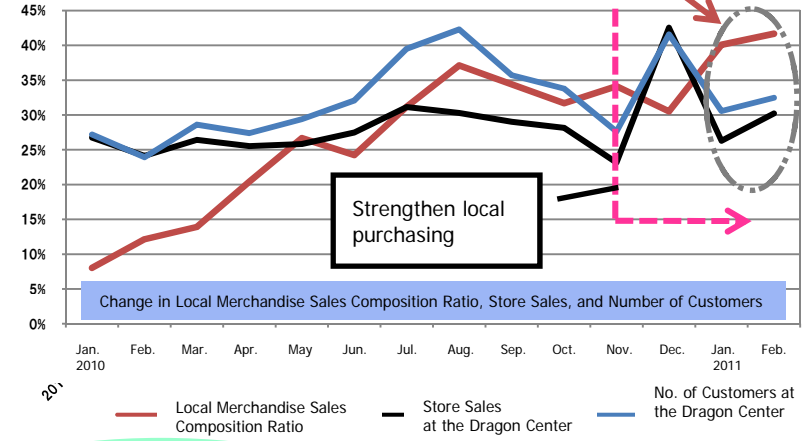
### Improving SG&A

- Cutting distribution expenses**
  - Changing merchandise transportation to ship from air freight, and reducing frequency of deliveries
  - \* Establishing a logistics system to prevent merchandise shortages
- Cutting labor costs**
  - Changing Japanese sales manager to local Hong Kong hire.



### Increasing sales

- Increasing sales by promoting local merchandise**
  - The ratio of local merchandise sold, total sales and customer numbers were all raised by using localizing purchasing and merchandise promotion.



**Challenge**

Improve sales and customer numbers by strengthening store product line-up and focusing on customer needs.

## Village Vanguard Webbed (Non-consolidated)

To be consolidated from FY05/11 Q4

## Company Profile (VVW)

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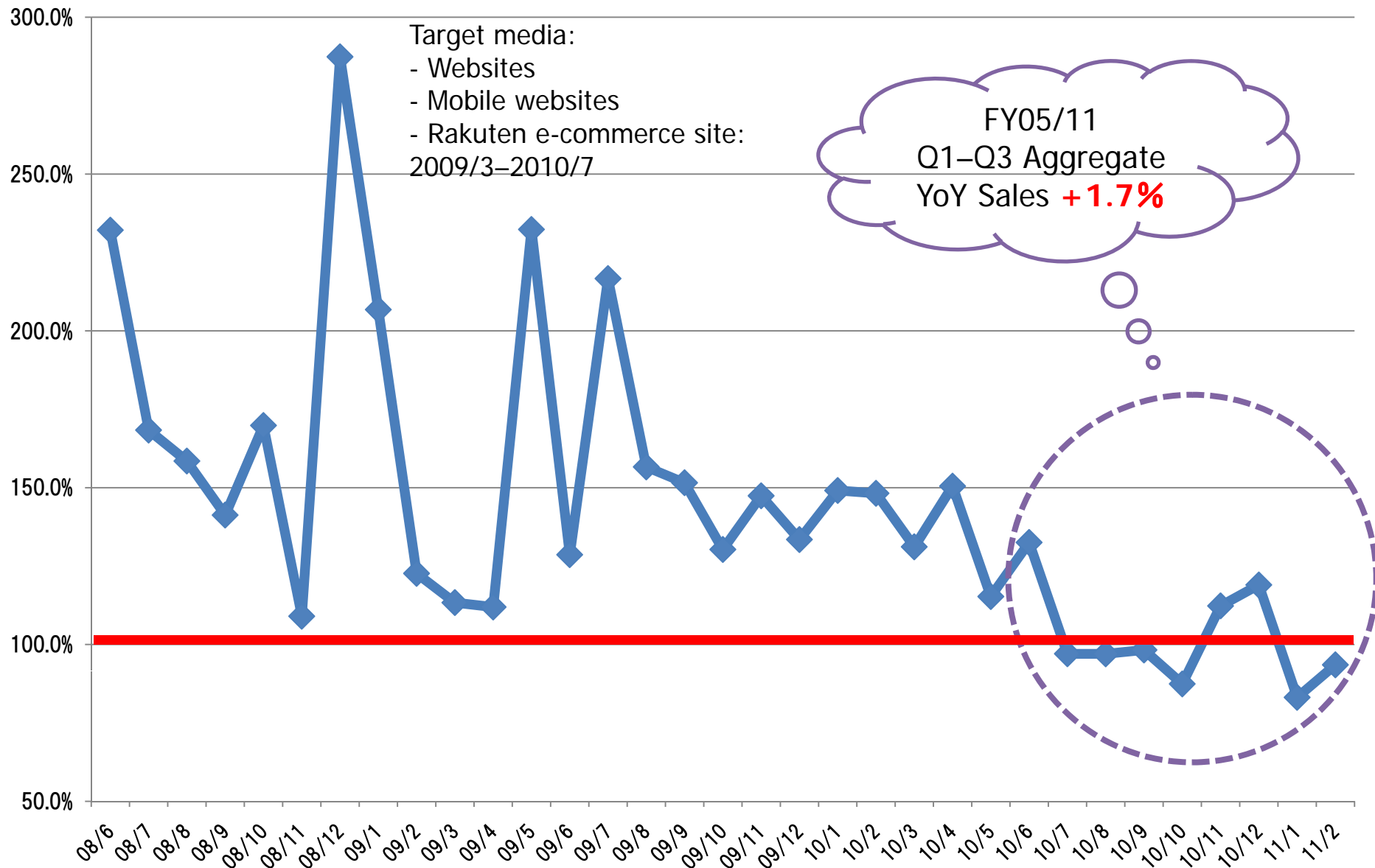
- Company Name           Village Vanguard Webbed Co.
- Shareholder  
Composition           Village Vanguard Corporation 100%
- Business Description   E-commerce retailer of books, general merchandise, CDs, and DVDs
- Head Office            Kamiyashiro 1-908, Meito ward, Nagoya City, Aichi
- Directors             CEO Ryo Yoshida
- Established            March 2011
- Business  
Commencement         Commenced operation in April 2011.
  
- Capital                 30 million yen
  
- Employees             1 regular employee (as of the end of March 2001)

Reference: FY05/10 (\*Business results before business assignment by VV)

Sales: 169 million yen

Operating Profit: 2 million yen

# YoY Sales (\*Total final sales to customers)



# Comparison between Online Business Sales and Total Sales of Retailers

Company Name	Target Period	Total Sales (Million Yen)	Online Sales (Million Yen)	Online sales contribution to total sales
<b>Culture Convenience Club Co.</b>	Apr.–Sep. 2010 (6 months)	81,992 * Consolidated	10,386 * Internet business	12.7%
<b>United Arrows Ltd.</b>	Apr. –Dec. 2010 (9 months)	64,645 * Parent sales	6,394 * Mail-order sales	9.9%
<b>Marui Group Co.</b>	Apr.–Sep. 2010 (6 months)	156,891 * Retail business	9,378 * Mail-order	5.9%
<b>Ryohin Keikaku Co.</b>	ISC1 Mar.–Nov. 2010 (9 months)	109,153 * Ryohin Keikaku (parent)	6,397 * Online store business	5.9%
<b>Fast Retailing Co.</b>	Sep. 2009–Aug. 2010 (12 months)	605,561 * Domestic UNIQLO business	23,043 * Direct business	3.8%
<b>Bookoff Corp.</b>	Apr.–Sep. 2010 (6 months)	36,090 * Consolidated sales	1,221 * Online sales	3.4%
<b>VILLAGE VANGUARD CORP.</b>	Jun. 2010–Feb. 2011 (9 months)	27,961 * Parent sales	200 * Sales to final customers ->Merchandise billing	0.7%

\*Village Vanguard's online business suffers from too few sales compared to other retailers.

**Mid-term goal: 5 billion yen in merchandise billing**  
**(Total sales contribution of 10%) by FY05/14**

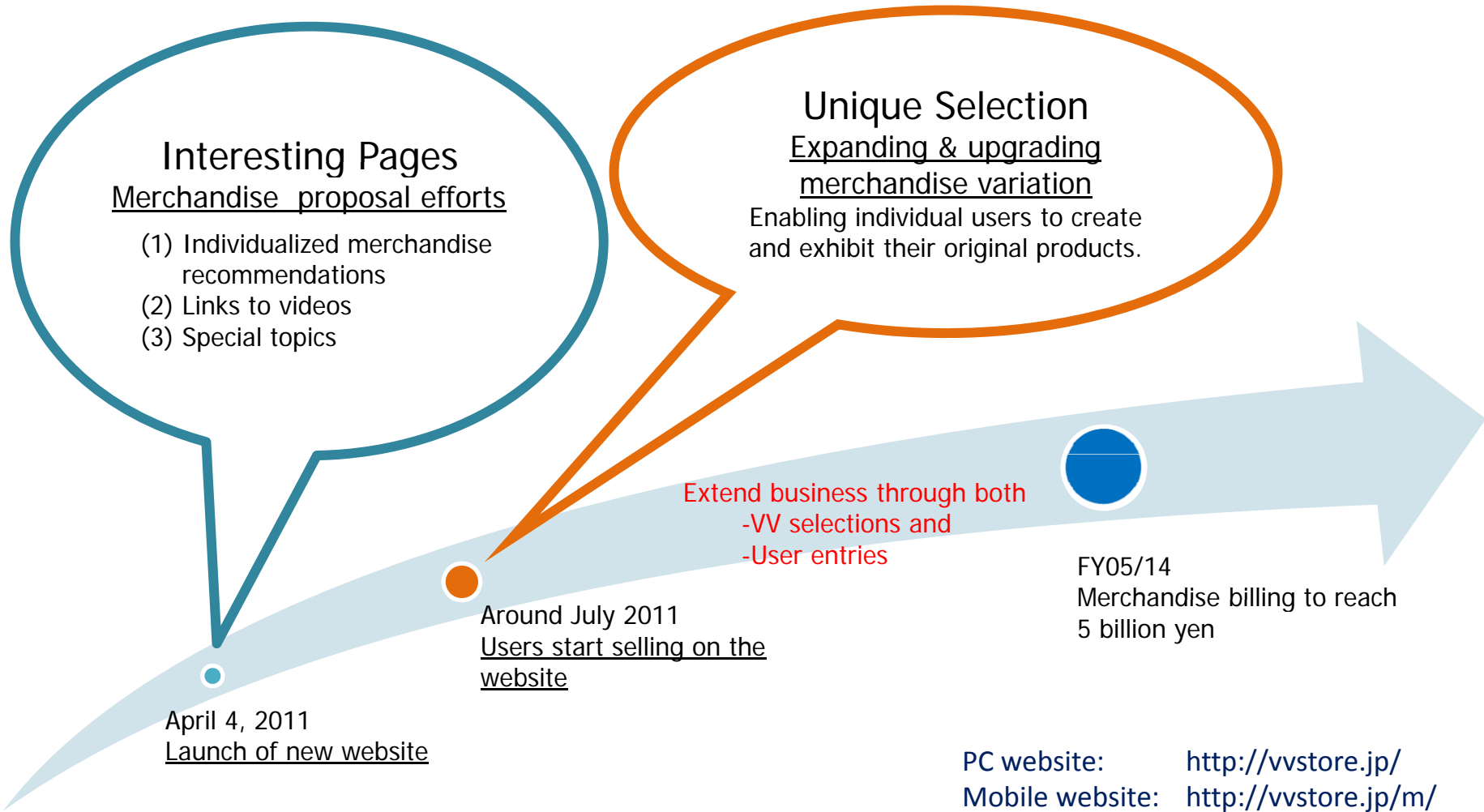


ISC1

**\*\*Translator's Note: 無印良品の社名は(株)良品計画のようです\*\***  
Ito-Smithies Communications, 2011/04/07

# New Website Concept and Future E-Strategy

An E-Commerce site where you can come to play =  
A website with interesting pages + a unique selection of merchandise

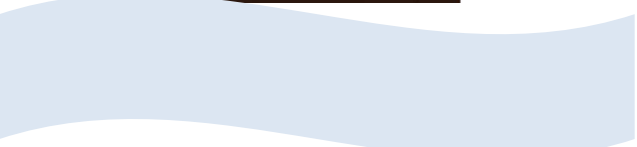


# A Snapshot Of Merchandise Offerings On Our New Website (\*April 4 launch)



Daily updated product recommendations for repeat visitors based on user viewing history.

Science Magazine for Adults vol.30 – with special feature on Dutch Artist Theo Jansen



Weekly-themed special features as a tool for product promotion.



Product presentation incorporates other media, such as video clips, rather than just relying on traditional text and image presentation.