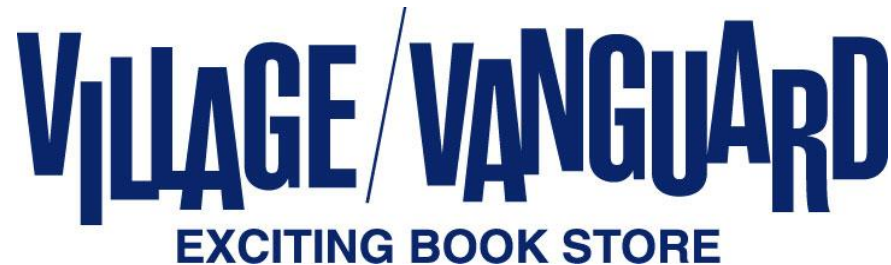


# **Q1 FY05/13 Results Presentation**



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.

# Income Statement (Consolidated)

Income Statement (Million Yen)	FY05/11				FY05/12				FY05/13			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2 Est.	Q3 Est.	Q4 Est.
<b>Sales</b>	<b>9,360</b>	<b>9,124</b>	<b>11,398</b>	<b>9,925</b>	<b>10,158</b>	<b>10,005</b>	<b>12,279</b>	<b>10,499</b>	<b>10,167</b>	<b>9,948</b>	<b>12,173</b>	<b>10,593</b>
SG&A	3,120	3,265	3,401	3,429	3,461	3,593	3,806	3,826	3,665	3,934	4,097	4,185
Labor	1,471	1,487	1,526	1,566	1,637	1,647	1,716	1,739	1,737	1,816	1,867	1,913
Rent	828	824	991	887	915	928	1,096	973	956	962	1,128	1,029
Depreciation	114	125	118	136	121	131	139	150	131	149	170	188
<b>Operating Profit</b>	<b>782</b>	<b>620</b>	<b>1,372</b>	<b>722</b>	<b>853</b>	<b>643</b>	<b>1,375</b>	<b>532</b>	<b>627</b>	<b>266</b>	<b>993</b>	<b>257</b>
<b>Recurring Profit</b>	<b>791</b>	<b>642</b>	<b>1,391</b>	<b>747</b>	<b>878</b>	<b>676</b>	<b>1,404</b>	<b>557</b>	<b>648</b>	<b>284</b>	<b>1,009</b>	<b>273</b>
<b>Net Income</b>	<b>268</b>	<b>299</b>	<b>733</b>	<b>380</b>	<b>404</b>	<b>347</b>	<b>734</b>	<b>68</b>	<b>323</b>	<b>142</b>	<b>508</b>	<b>110</b>
Sales YoY	8.4%	10.3%	10.8%	5.0%	8.5%	9.7%	7.7%	5.8%	0.1%	-0.6%	-0.9%	0.9%
SG&A YoY	11.4%	13.4%	10.9%	10.0%	10.9%	10.0%	11.9%	11.6%	5.9%	9.5%	7.6%	9.4%
Labor YoY	17.8%	19.3%	15.0%	12.4%	11.3%	10.8%	12.4%	11.0%	6.1%	10.3%	8.8%	10.0%
Rent YoY	9.9%	12.6%	12.3%	8.5%	10.5%	12.6%	10.6%	9.7%	4.5%	3.6%	2.9%	5.7%
Depreciation YoY	11.2%	15.9%	4.0%	13.7%	6.8%	4.4%	17.6%	10.2%	7.7%	13.6%	22.2%	25.2%
Operating Profit YoY	-2.2%	13.0%	14.1%	-4.5%	9.1%	3.7%	0.2%	-26.2%	-26.5%	58.6%	-27.8%	-51.8%
Recurring Profit YoY	-2.8%	14.3%	14.7%	-2.8%	11.0%	5.3%	0.9%	-25.4%	-26.2%	58.0%	-28.8%	-51.0%
Net Income YoY	-42.0%	-0.3%	14.4%	-11.5%	50.9%	16.1%	0.1%	-82.1%	-20.0%	59.1%	-30.8%	61.7%
Operating Profit Margin	8.4%	6.8%	12.0%	7.3%	8.4%	6.4%	11.2%	5.1%	6.2%	2.7%	8.2%	2.4%
Recurring Profit Margin	8.5%	7.0%	12.2%	7.5%	8.6%	6.8%	11.4%	5.3%	6.4%	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%	3.2%	1.4%	4.2%	1.0%
Versus plan												
Sales	0.9%	1.9%	2.0%	-0.9%	-0.5%	-0.5%	-0.5%	-5.2%	1.0%			
SG&A	-1.8%	-2.1%	-2.5%	-2.4%	0.1%	0.0%	1.8%	0.6%	-2.9%			
Operating Profit	11.5%	47.2%	33.9%	14.7%	4.7%	1.7%	-5.5%	-35.3%	46.5%			
Recurring Profit	13.1%	51.0%	35.7%	18.5%	5.4%	5.3%	-4.1%	-33.1%	44.7%			
Net Income	15.6%	38.0%	35.3%	21.8%	3.6%	6.1%	-8.4%	-84.1%	48.2%			

Quarter results and estimates may not add up to our 1H and full-year forecasts.

Balance Sheet	FY05/11				FY05/12				FY05/13			
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2 Est.	Q3 Est.	Q4 Est.
Cash & Deposit	3,045	3,378	3,582	3,972	2,586	2,865	2,773	3,570	2,721	3,120	3,294	3,076
Inventories	16,182	17,044	16,726	16,950	17,827	19,175	19,007	18,669	19,439	19,922	19,296	19,204
Other	2,977	2,630	2,675	2,859	3,411	2,960	2,914	2,675	3,227	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>25,387</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>5,721</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>31,108</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>8,774</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>4,908</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>13,682</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>17,425</b>	<b>17,475</b>	<b>17,982</b>	<b>18,092</b>

Quarter results and estimates may not add up to our 1H and full-year forecasts.

Cash Flow Statement (Million Yen)	FY05/11				FY05/12				FY05/13			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	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>-520</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	-770	-1,252	-627	-535
Other	-86	1,854	1,079	2,559	-171	1,454	1,179	2,277	250	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>-424</b>	<b>-470</b>	<b>-683</b>	<b>-1,187</b>
Change in Tangible Fixed Assets	-93	-234	-374	-684	-188	-360	-505	-677	-297	-320	-458	-588
Change in Other Assets	-63	-194	-295	-534	-140	-257	-338	-453	-127	-149	-225	-598
Financing Cash Flow	-141	80	290	-24	0	288	522	171	96	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>-945</b>	<b>-554</b>	<b>-1,318</b>	<b>-285</b>

Quarter results and estimates may not add up to our 1H and full-year forecasts.

Parent Company

Village Vanguard Corporation

# What We Do

VILLAGE/VANGUARD



**Mall-located Store**



**Standalone store**



**Diner**

## ■ Village Vanguard

Our concept is "Exciting Book Store". By bringing together various products such as books, variety goods, and CDs, our stores have a unique feel.

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



## ■ new style

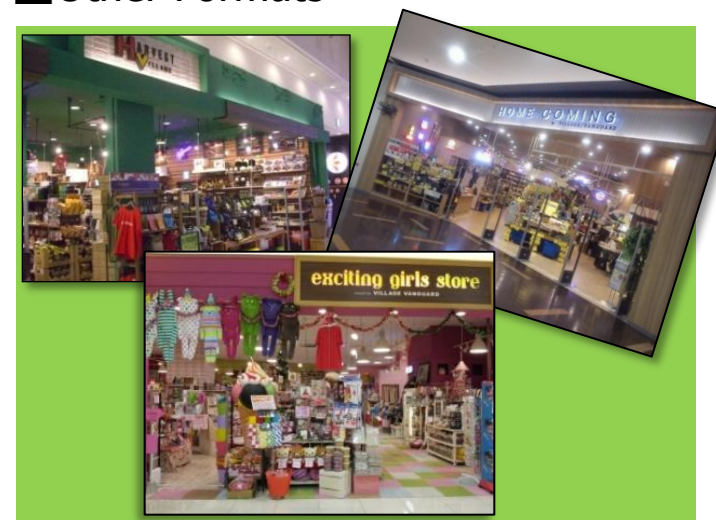
For those who want to be particular about their style, both at work and at play—a new style for you.



## ■ QK

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

## ■ Other Formats



# Examples of Our Merchandizing 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)



## VILLAGE/VANGUARD



# How Do We Sell?

We delegate both purchasing and sales decisions to the store level

## Marketing

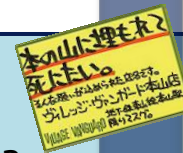
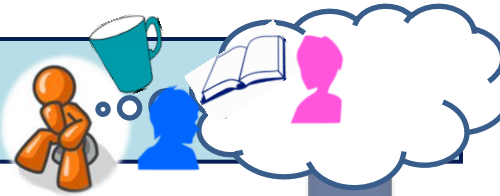
- Pursue customer needs in each store

## 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 absolute discretion**

Head Office

Authority



Each Store

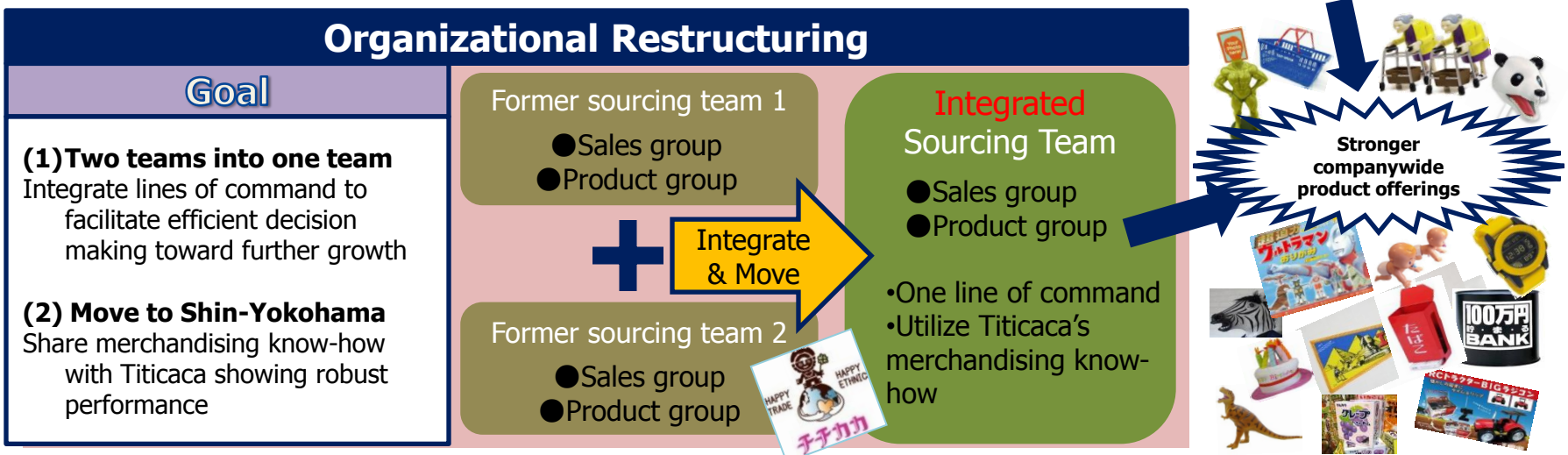
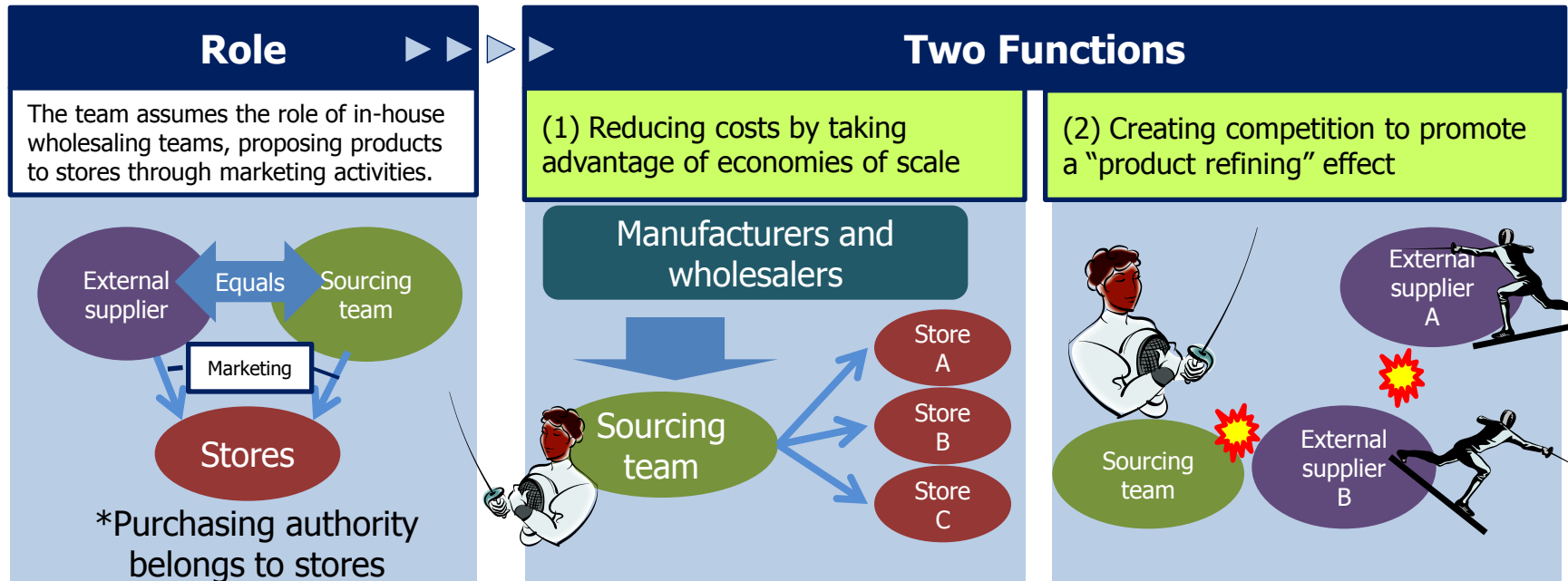
Create a retail space that answers the unique needs of each store's customers, in real time

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





# Store Network (Parent)

Store data as of end-August 2012

VILLAGE/VANGUARD

**395** stores nationwide

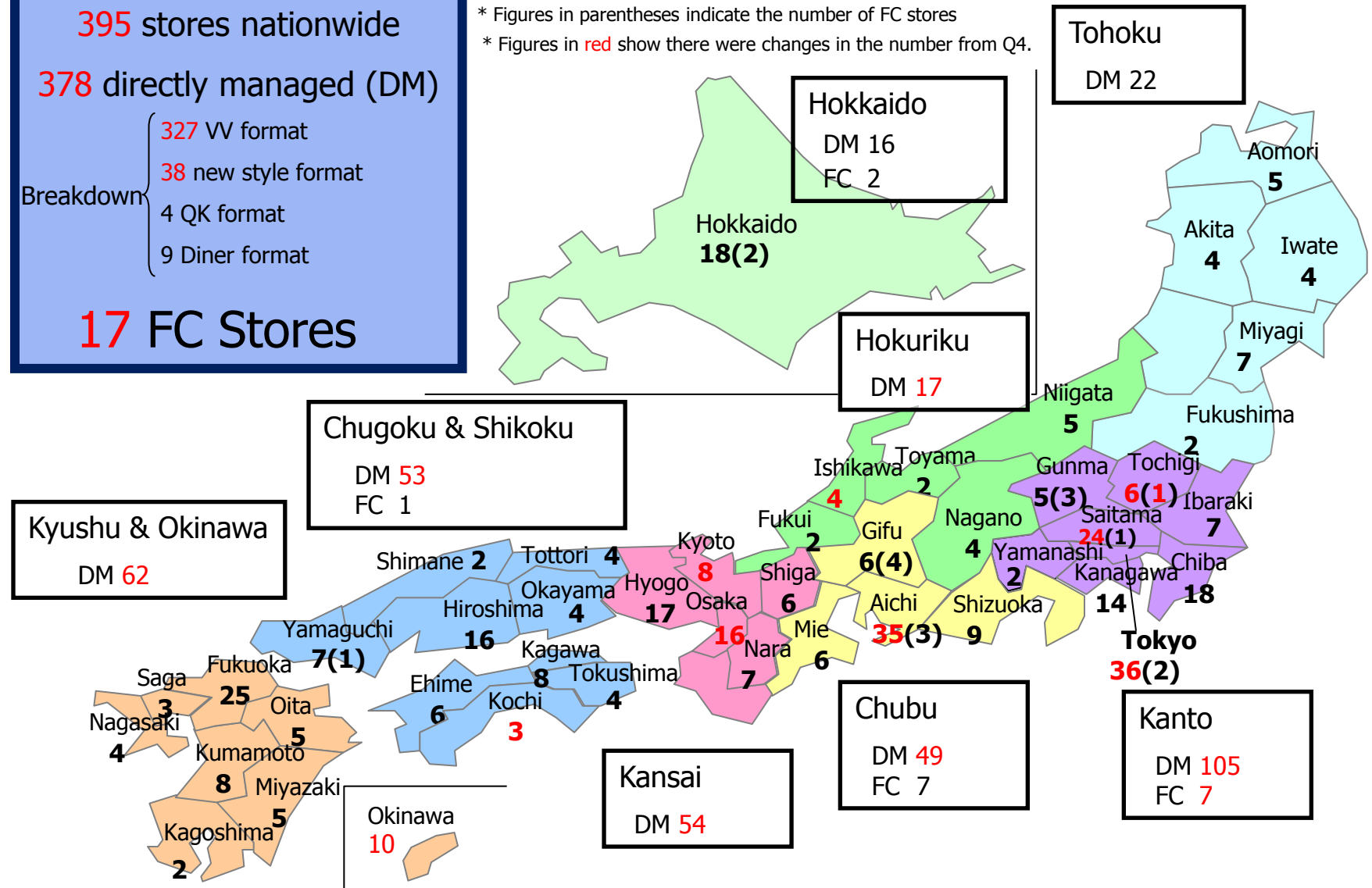
**378** directly managed (DM)

Breakdown {  
 327 VV format  
 38 new style format  
 4 QK format  
 9 Diner format

**17** FC Stores

\* Figures in parentheses indicate the number of FC stores

\* Figures in red show there were changes in the number from Q4.



# VV – Results (Parent)

# Parent Income Statement

Parent Income Statement (Million Yen)	FY05/11				FY05/12				FY05/13			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2 Est.	Q3 Est.	Q4 Est.
Sales	8,783	8,403	10,775	9,315	9,306	8,863	11,255	9,509	8,949	8,223	10,660	9,089
Gross Profit	3,501	3,403	4,353	3,739	3,739	3,431	4,501	3,690	3,464	3,136	4,110	3,500
SG&A	2,762	2,869	3,015	2,999	2,984	3,032	3,248	3,214	2,988	3,137	3,297	3,338
Labor	1,307	1,318	1,354	1,378	1,420	1,412	1,479	1,483	1,444	1,495	1,527	1,552
Rent	746	732	907	798	808	793	975	844	802	760	941	834
Depreciation	98	107	98	114	97	101	104	111	92	104	113	127
Operating Profit	739	534	1,339	740	755	399	1,254	476	476	-1	813	161
Recurring Profit	759	564	1,368	771	788	441	1,299	509	506	30	843	189
Net Income	266	273	730	431	365	229	678	-35	251	0	414	64
Sales YoY	6.2%	7.4%	9.0%	3.4%	5.9%	5.5%	4.5%	2.1%	-3.8%	-7.2%	-5.3%	-4.4%
Gross Profit YoY	4.4%	8.7%	9.0%	4.4%	6.8%	0.8%	3.4%	-1.3%	-7.3%	-8.6%	-8.7%	-5.2%
Operating Profit YoY	-5.8%	2.8%	9.9%	-3.7%	2.2%	-25.3%	-6.4%	-35.6%	-37.0%	-	-35.1%	-66.2%
Recurring Profit YoY	-5.9%	4.4%	10.7%	-2.5%	3.8%	-21.8%	-5.1%	-33.9%	-35.7%	-93.3%	-35.1%	-62.9%
Net Income YoY	-41.6%	-1.7%	10.1%	0.5%	37.0%	-16.3%	-7.1%	-108.1%	-31.2%	-	-39.0%	-
Gross Profit Margin	39.9%	40.5%	40.4%	40.1%	40.2%	38.7%	40.0%	38.8%	38.7%	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%	5.3%	-	7.6%	1.8%
Recurring Profit Margin	8.6%	6.7%	12.7%	8.3%	8.5%	5.0%	11.5%	5.4%	5.7%	0.4%	7.9%	2.1%
Net Profit Margin	3.0%	3.3%	6.8%	4.6%	3.9%	2.6%	6.0%	-0.4%	2.8%	-	3.9%	0.7%
Versus Plan												
Sales	0.6%	1.3%	1.0%	-1.9%	-0.5%	-0.8%	-0.7%	-5.9%	1.4%			
Gross Profit	0.1%	2.5%	4.8%	-1.6%	0.7%	-3.1%	-1.4%	-8.6%	2.0%			
SG&A	-1.7%	-2.8%	-3.3%	-4.4%	0.2%	0.0%	2.4%	0.2%	-2.9%			
Operating Profit	7.2%	45.2%	29.1%	12.1%	2.5%	-21.8%	-10.2%	-42.4%	48.8%			
Recurring Profit	8.4%	47.1%	30.3%	14.7%	3.5%	-17.0%	-8.3%	-39.9%	43.1%			
Net Income	7.9%	35.3%	29.2%	24.8%	1.3%	-16.6%	-13.3%	-	44.8%			

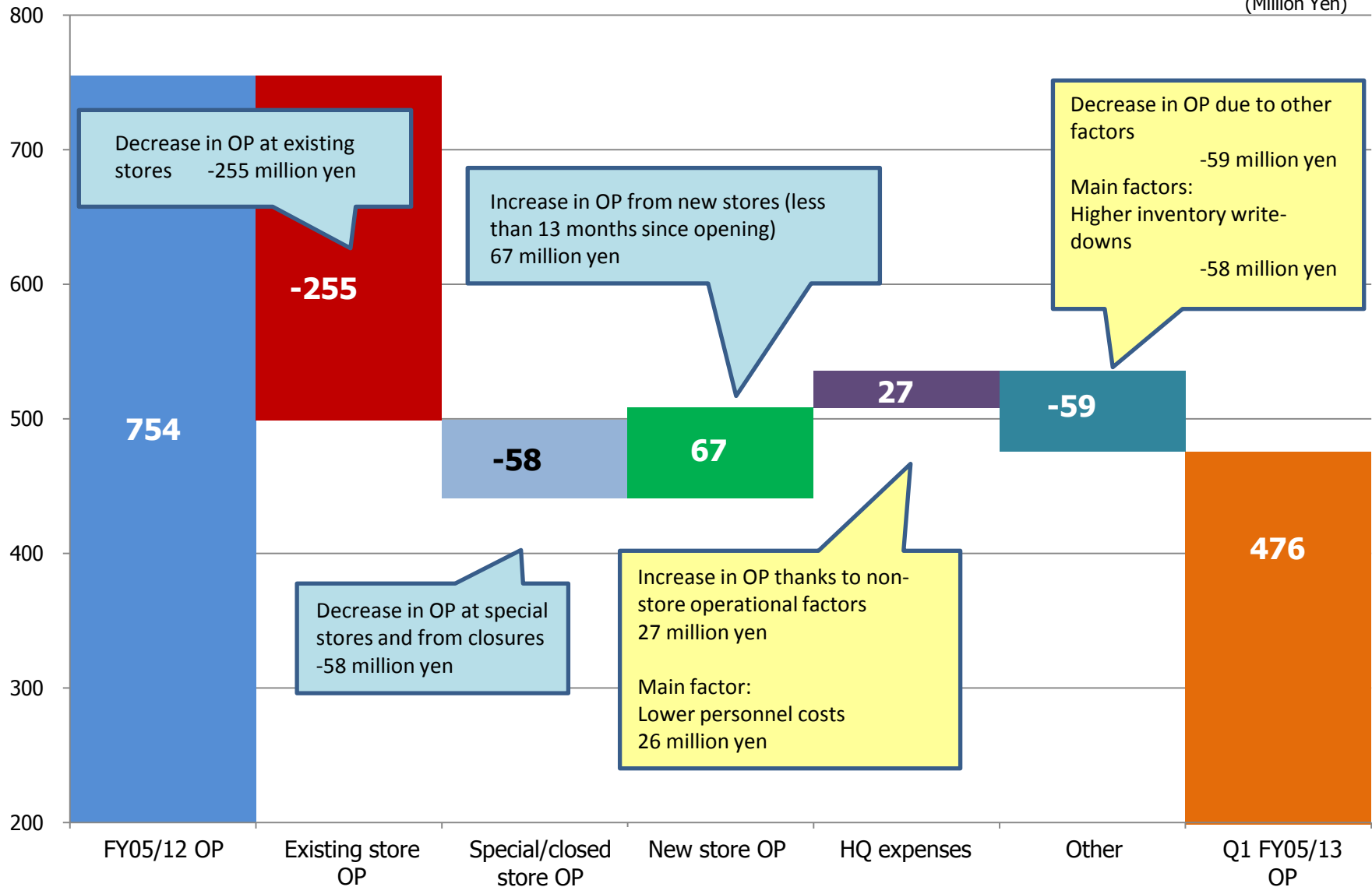
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# Sales by Category

Sales by Category	FY05/11				FY05/12				FY05/13			
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
SPICE (Parent)	6,780	6,461	8,609	7,178	7,361	6,999	9,216	7,684	7,310			
(Internal Sourcing Team)	1,753	1,770	2,713	2,088	2,217	2,214	3,117	2,310	2,093			
(Other)	5,028	4,691	5,896	5,089	5,144	4,786	6,100	5,374	5,217			
Books (Parent)	1,023	1,039	1,178	1,156	1,043	994	1,113	1,040	894			
NM (Parent)	791	719	804	792	734	712	772	593	567			
Other (Parent)	189	184	184	190	167	158	153	192	178			
<b>Sales</b>	<b>8,783</b>	<b>8,403</b>	<b>10,775</b>	<b>9,315</b>	<b>9,306</b>	<b>8,863</b>	<b>11,255</b>	<b>9,509</b>	<b>8,949</b>			
<b>Composition</b>												
SPICE (Parent)	77.2%	76.9%	79.9%	77.1%	79.1%	79.0%	81.9%	80.8%	81.7%			
(Internal Sourcing Team)	20.0%	21.1%	25.2%	22.4%	23.8%	25.0%	27.7%	24.3%	23.4%			
(Other)	57.2%	55.8%	54.7%	54.6%	55.3%	54.0%	54.2%	56.5%	58.3%			
Books (Parent)	11.7%	12.4%	10.9%	12.4%	11.2%	11.2%	9.9%	10.9%	10.0%			
NM (Parent)	9.0%	8.6%	7.5%	8.5%	7.9%	8.0%	6.9%	6.2%	6.3%			
Other (Parent)	2.1%	2.2%	1.7%	2.0%	1.8%	1.8%	1.4%	2.0%	2.0%			

# OP Analysis

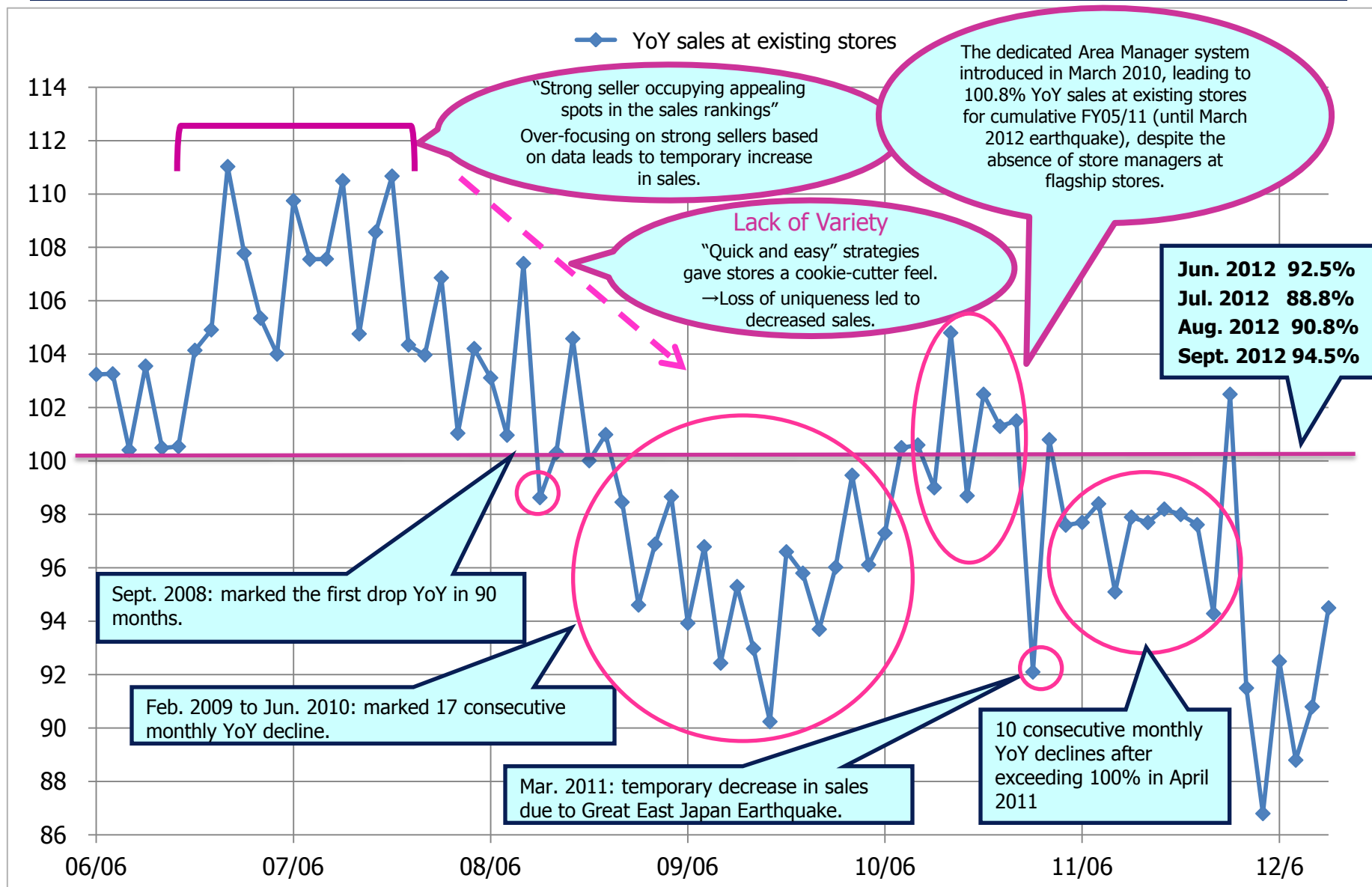
(Million Yen)



# Store Openings

	FY05/10 Actual	FY05/11 Actual	FY05/12 Actual	FY05/13 Plan and Actual									
	FY	FY	FY	Q1		Q2		Q3		Q4		FY	
				Init. Plan	Act.	Init. Plan	Est.	Init. Plan	Est.	Init. Plan	Est.	Init. Plan	Est.
Openings	34	46	38	7	8	8	5	4	1	6	9	25	23
Village Vanguard	30	39	30	6	6	5	4	3	0	6	8	20	18
new style	1	7	7	1	2	3	1	1	0	0	1	5	4
QK	0	0	1	0	0	0	0	0	0	0	0	0	0
Diner	1	0	0	0	0	0	0	0	0	0	0	0	0
FC	2	0	0	0	0	0	0	0	1	0	0	0	1
Closures	12	15	13	5	3	2	4	4	4	2	2	13	13
Village Vanguard	6	8	4	3	1	2	1	4	4	2	2	11	8
new style	0	0	2	1	1	0	1	0	0	0	0	1	2
QK	0	4	2	0	0	0	0	0	0	0	0	0	0
Diner	0	0	1	0	0	0	0	0	0	0	0	0	0
FC	6	3	4	1	1	0	2	0	0	0	0	1	3
Net Increase	22	31	25	2	5	6	1	0	-3	4	7	12	10

# Year on Year Retail Sales at Existing Stores



## Recovering Sales: Factors behind Sluggish Sales and Future Scenario

### Short-Term Issues

#### Purchasing

**FY05/12  
Sudden Inventory  
Increase in Q3**

**Reviewed purchasing to  
reduce inventories until  
the end of FY05/12**

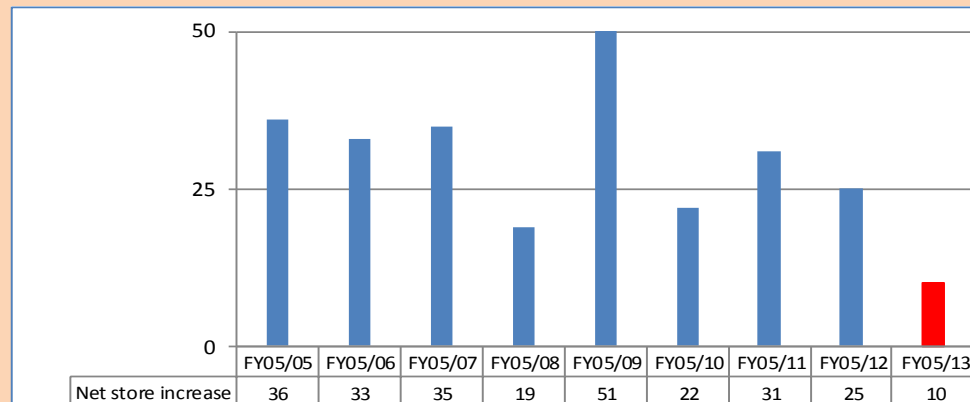
**Excessive  
inventory  
control led to  
opportunity  
losses**

**Achieve optimal  
inventory level**

### Medium-Term Issues

**Store manager training lagged behind aggressive store openings,  
resulting in some store managers' insufficient capabilities and weaker  
in-store product offerings.**

#### 1. Slow down store openings



#### 2. Strengthen in-store product offerings

**Introduced merchandise lineup development guidebook**

**See next slide**

# Recovering Sales: Strengthen In-Store Product Offerings

## Village Vanguard's Vision

Unearth Consumer Needs  
**Disseminate Information**

## Village Vanguard Now

Fewer unique, appealing merchandise

- Fewer new merchandise
- Sales floors packed with same old items

## Background

2006

Hit merchandise debuted.

↓ Learned to **make money just by selling hit merchandise.**

2007

Stores put hot-sellers at easy-to-see spots.

↓ Consequently, all stores started handling same items, **losing their uniqueness with stronger tendency not to change.**



In 2005



In 2012

To enhance store managers' purchasing capabilities:

**Introduced a merchandise lineup development guidebook** → Shared among all stores

- Vol. 1: Product lifecycles  
Vol. 2: Product search  
Vol. 3: Why customers visit stores  
Vol. 4: Exciting stores at attractive locations



Enhance their purchasing capabilities while maintaining each store's uniqueness

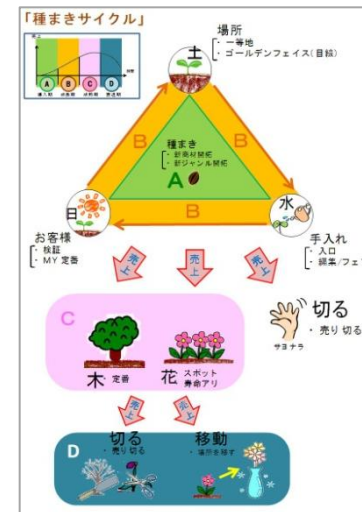
→ **Realize Village Vanguard's vision**

**"Unique information provider"**

Going forward, **utilize the guidebook for store display and POP creation**

→ **Strengthen in-store product offerings**

Examples of merchandise found by store staff using the guidebook

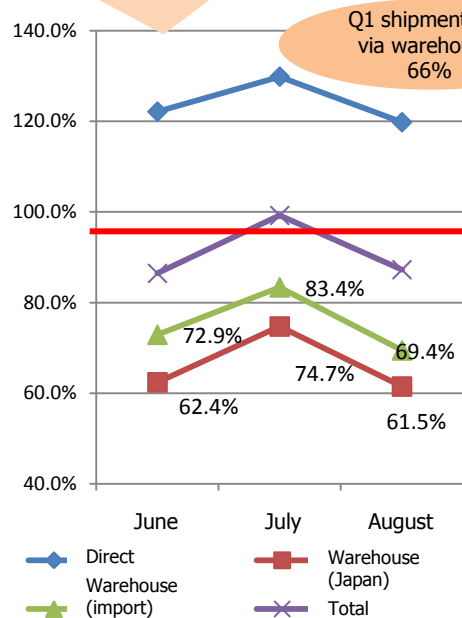


A page from the guidebook, explaining new merchandise search

## Strengthening Sourcing Team

### Sourcing Team Q1 Shipment YoY

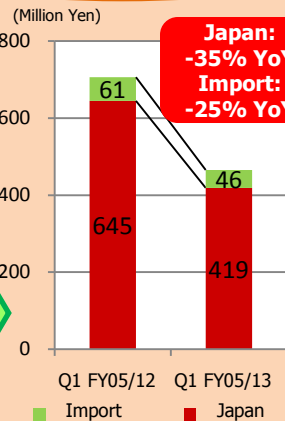
Robust direct shipment from supplies to stores, weak shipment via warehouses



Why weak shipment via warehouse?

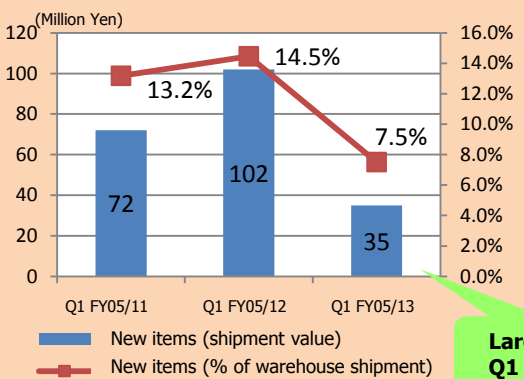
### Shipment of Merchandise via Warehouses

Shipment via Warehouse: Value YoY

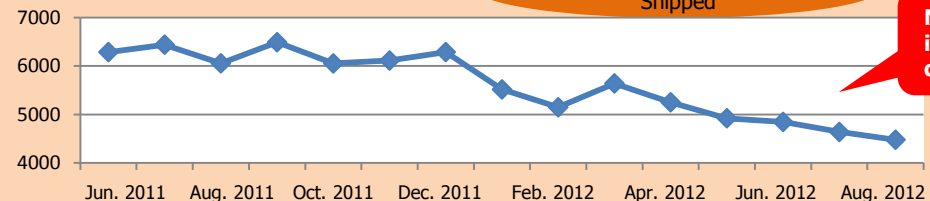


New Merchandise Shipment

Shipment Value of New Items Launched in Each Period



Monthly Number of Items Shipped



Weak shipment via warehouses due to the handling of fewer new items

Counter-measure

Strengthen product offerings and merchandising by employing external merchandisers and capable buyers with in-store experience

Move sourcing team to Shin-Yokohama (Nov. 2012)

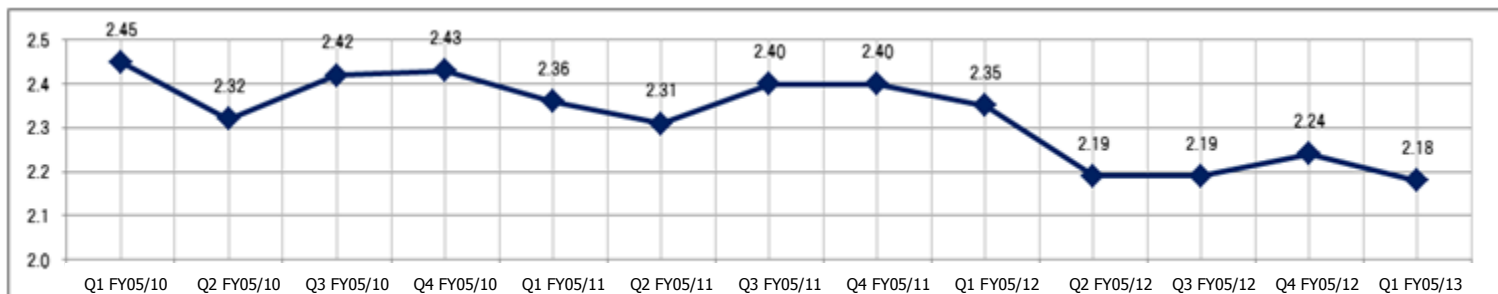
- Accelerate hiring
- Utilize Titicaca's merchandising know-how

## Inventory Control

### Existing Store Inventory Trends

(Million Yen)	FY05/11 Q1	FY05/11 Q2	FY05/11 Q3	FY05/11 Q4	FY05/12 Q1	FY05/12 Q2	FY05/12 Q3	FY05/12 Q4	FY05/13 Q1
Cash Flow from Operations	-718	-523	-214	1,042	-950	-1,061	-1,132	102	-158
■ Net Income before Tax	502	1,015	2,371	3,065	672	1,098	2,390	2,696	522
■ Net Change in Inventories	-605	-1,493	-1,112	-1,206	-844	-2,139	-1,969	-1,465	-594
Existing Stores	340	760	301	215	603	1,454	1,326	342	564
New Stores	321	832	1,296	1,725	393	817	1,024	1,356	172
Other	-56	-101	-486	-734	-152	-132	-382	-234	-142
■ Other	-615	-45	-1,473	-816	-778	-20	-1,553	-1,129	-86
Cash Flow from Investment	-138	-393	-558	-1,005	-211	-379	-531	-776	-140
Cash Flow from Financing	-227	-43	225	-542	38	-55	336	-491	306
Free Cash Flow	-856	-916	-772	37	-1,161	-1,440	-1,663	-674	-299
Number of Existing Stores (stores)	282	284	283	292	291	302	304	320	325
Inventory Change per Existing Store during the Term	1.2	2.6	1.0	0.7	2.0	4.8	4.3	1.0	1.7

### Inventory Turnover



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



Company Profile:

Titicaca

# 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: 86 (84 directly managed stores and 2 franchises) (as of end-August 2012)
- No. of employees: 139 full-time employees and 328 part-time workers (same as above)



Hitoshi Kinami

# Titicaca Store Network

## Store data as of end-August 2012

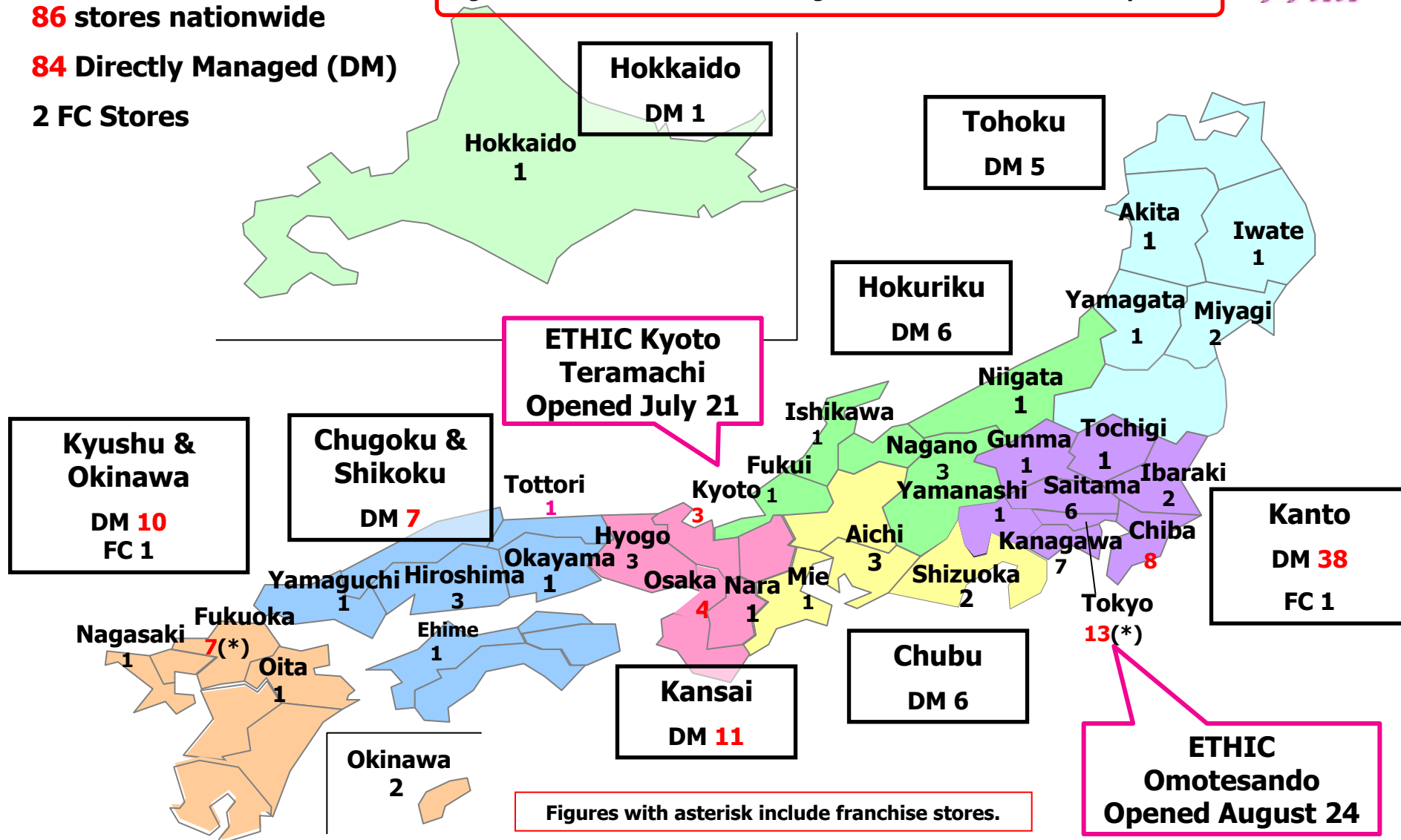


## 86 stores nationwide

## 84 Directly Managed (DM)

## 2 FC Stores

**Figures in red show there were changes in the number from end-May 2012**



**Figures with asterisk include franchise stores.**

**ETHIC**  
**Omotesando**  
**Opened August 24**

# Outside of Titicaca Stores



Shibuya Store  
(Tokyo)

AEON MALL  
LakeTown store  
(Saitama)

AEON MALL Chiba  
New Town store  
(Chiba)

Youme Town  
Izumo store  
(Shimane)



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.



**AEON MALL Fukuoka**  
Opened Jun 23



**AEON MALL Hiezu**  
Opened Jun 1



**Youme Town Izumo**  
Opened Sept 11





## Titicaca ETHIC opened in Omotesando and Kyoto Teramachi to spread Titicaca store concept

### Shop Concept

Bridge producers and consumers, and contribute to society by promoting ethical consumption

### Spread Info

- Good location as info hub
- Equipped with press room (Omotesando)
- Free space (for sales, exhibition, etc.) available to third parties(\*)

\* For those who value similar concepts in business, etc.

Reestablish Titicaca brand on the theme of "Ethics"



Sustain Titicaca's competitive edge to grow further




# Overview of Titicaca ETHIC



## Omotesando store



## Kyoto Teramachi store



# Titicaca - Results

# Titicaca - Results

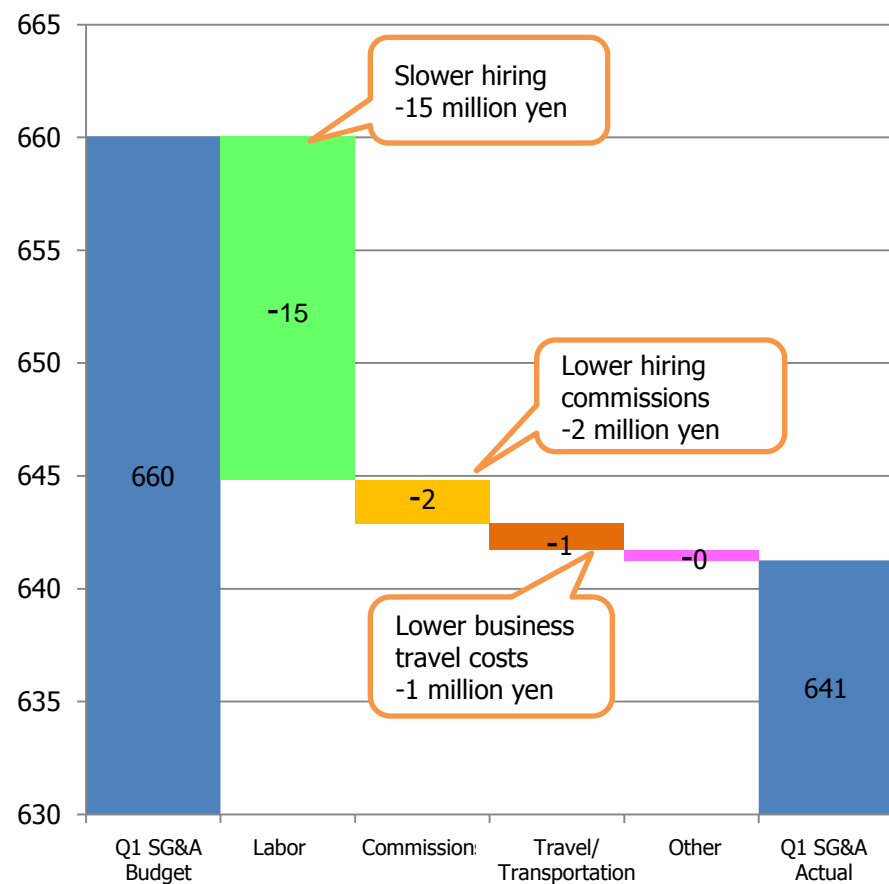


Titicaca Income Statement					FY03/11				FY03/12				FY03/13			
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2 Est.	Q3 Est.	Q4 Est.				
Sales	580	720	630	625	827	1,148	977	1,016	1,207	1,695	1,435	1,462				
Gross Profit	390	473	412	397	554	798	654	672	807	1,038	946	911				
Operating Profit	67	114	53	3	109	275	128	94	166	272	178	96				
Recurring Profit	60	110	47	2	107	271	117	90	159	264	169	89				
Net Income	27	53	25	-17	56	149	68	28	91	162	104	54				
Sales YoY	60.2%	52.0%	51.7%	33.8%	42.6%	59.4%	55.1%	62.5%	46.0%	47.7%	46.8%	43.8%				
Gross Profit YoY	58.1%	51.0%	51.0%	36.4%	42.0%	68.5%	58.7%	69.2%	45.6%	30.2%	44.7%	35.5%				
Operating Profit YoY	180.3%	108.4%	-	-	63.3%	142.0%	140.7%	2866.4%	52.1%	-0.9%	39.2%	2.7%				
Recurring Profit YoY	202.8%	117.2%	-	-	76.7%	146.9%	147.7%	4594.8%	49.1%	-2.8%	43.8%	-1.6%				
Net Income YoY	41.4%	12.2%	-	-	109.7%	180.5%	169.0%	-	60.9%	8.8%	53.2%	89.9%				
Gross Profit Margin	67.3%	65.7%	65.3%	63.5%	67.0%	69.5%	66.9%	66.1%	66.8%	61.3%	65.9%	62.3%				
Operating Profit Margin	11.5%	15.8%	8.4%	0.5%	13.2%	23.9%	13.1%	9.2%	13.7%	16.1%	12.4%	6.6%				
Recurring Profit Margin	10.4%	15.2%	7.5%	0.3%	12.9%	23.6%	12.0%	8.9%	13.2%	15.6%	11.8%	6.0%				
Net Profit Margin	4.6%	7.4%	4.0%	-2.7%	6.8%	13.0%	6.9%	2.8%	7.5%	9.6%	7.2%	3.7%				
Sales vs Plan	9.3%	11.9%	-2.2%	18.3%	0.0%	5.2%	3.7%	7.3%	-0.1%							
Gross Profit vs Plan	8.3%	13.6%	-4.4%	18.3%	2.2%	19.7%	8.4%	17.7%	0.9%							
Operating Profit vs Plan	88.1%	61.7%	-	-	10.6%	96.0%	73.7%	653.8%	18.4%							
Recurring Profit vs Plan	126.0%	74.4%	-	-	10.8%	103.6%	77.9%	1510.3%	22.6%							
Net Income vs Plan	162.7%	54.4%	-	-	4.9%	100.6%	84.5%	810.0%	14.6%							

Quarter results and estimates may not add up to our 1H and full-year forecasts.

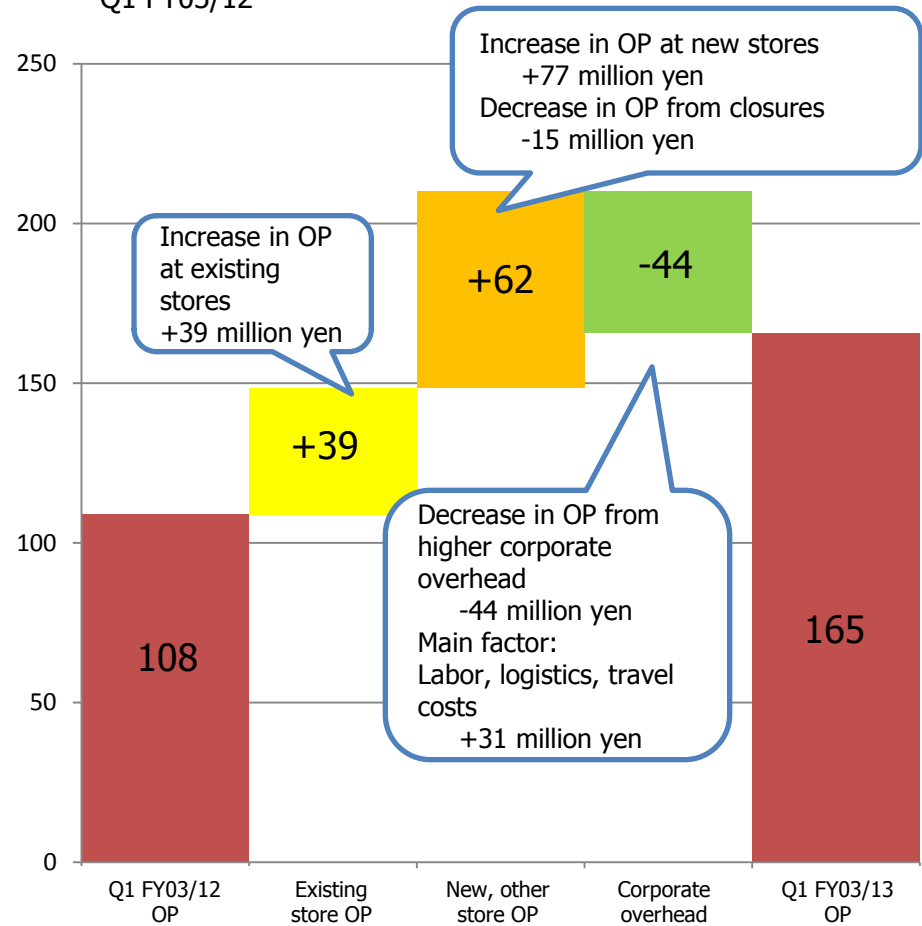
## SG&A vs. Budget

**-2.8%** vs. budget (-18 million yen)



## OP YoY

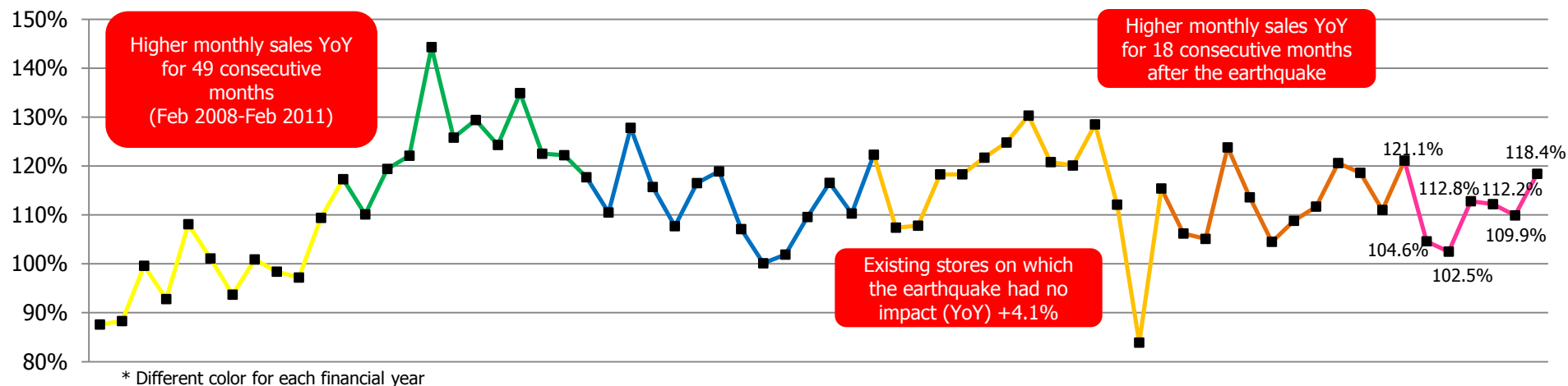
- OPM at **13.7%** vs. 13.2% in Q1 FY03/12
- Ratio of corporate overhead to sales at **12.2%** vs. 12.5% in Q1 FY03/12



# Titicaca - Results

## Comparable Store Sales

**+7.0%** vs. Q1 FY03/12



**FY03/08**  
Group management started following M&A in May 2007

**FY03/09**  
Area manager system established  
Full-year results moved out of the red

**FY03/10**  
Management vision established  
Losses carried forward cleared

**FY03/11**  
Management vision permeated through credo

**FY03/12**  
Dedicated area manager system introduced

**FY03/13**  
Launched branding strategy centered on Titicaca ETHIC stores

## Store Openings

4 stores opened in September 2012 (Q2 store opening plan already achieved)

	FY03/11 Results	FY03/12 Results	FY03/13 Plan					FY03/13 Results				
								Results		Estimates		
			Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY
Store Openings	15	21	6	4	9	5	24	6	4	9	5	24
Store Closures	4	2	1	-	-	-	1	1	-	-	-	1

## Hiring Strategy

**Allocate personnel costs in FY03/13 in line with Titicaca growth**

### Stores

-6% vs. plan

- Despite active hiring at both new and existing stores, hiring fell behind budget.
- Increase sales by raising staff counts particularly at stores showing robust performance.

### HQ Divisions

-3% vs. plan

- Despite active hiring, hiring fell behind budget.
- Accelerate hiring centered on the product group.

### Education/Training

Training session costs: -22.2% vs. plan

- Despite active internal and external training sessions to raise staff's skill sets, related costs fell behind budget.
- Promote staff training further in line with accelerated hiring and company growth.

**Strengthen hiring and staff training toward further growth**

## Company Overview

- Company name: Village Vanguard Webbed Corporation
- Shareholder composition: Village Vanguard Co., Ltd. (100%)
- Business: e-commerce of books, goods, CDs, DVDs, etc.
- Headquarters: 1-908 Kamiyashiro, Meito-ku, Nagoya, Aichi Prefecture
- Representative: Takakazu Hirano, Managing Director
- Established: March 2011
- Operation started: April 2011
- Capital: 30,000,000 yen
- No. of full-time workers: 3 (as of end of August 2012)



Online shopping site



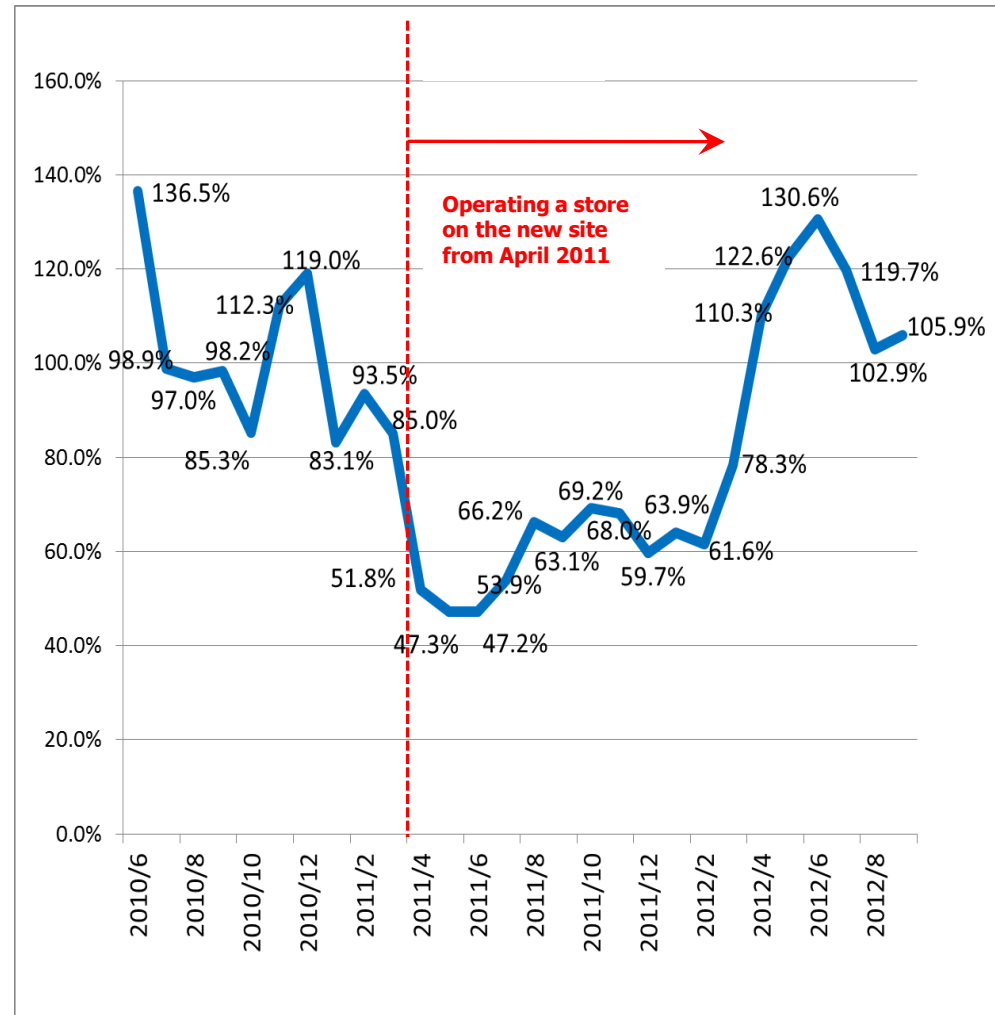
Online magazine site

## Results

(Thousand Yen)

PL	FY05/12 (Actual)	FY05/13 (Results and Plan)			
	FY (Actual)	Q1 (Actual)	Q2 (Plan)	Q3 (Plan)	Q4 (Plan)
Sales	100,292	24,042	56,611	104,177	137,633
Vs. Plan (%) (Difference)	51.4% (-94,873)	94.8% (-1,332)	-	-	-
GP	23,679	5,556	13,453	23,887	32,244
Vs. Plan (%) (Difference)	74.4% (-8,168)	100.0% (0)	-	-	-
SG&A	20,264	5,948	13,814	20,797	27,693
Vs. Plan (%) (Difference)	94.6% (-1,150)	87.0% (-887)	-	-	-
OP	3,415	-392	-360	3,090	4,551
Vs. Plan (%) (Difference)	32.7% (-7,018)	30.6% (+887)	-	-	-
RP	1,059	-820	-1,303	1,708	2,720
Vs. Plan (%) (Difference)	13.3% (-6,926)	46.1% (+958)	-	-	-
Net Income	8,037	-866	-1,395	1,571	2,537
Vs. Plan (%) (Difference)	58.5% (-5,699)	46.1% (+958)	-	-	-

## ■ Sales YoY (Order Value Basis)



Figures in parentheses indicate difference vs. plan. Quarter results and estimates may not add up to our 1H and full-year forecasts.

# Overseas Subsidiaries

## Enter Overseas Markets

Village Vanguard



Japan

395 stores (including franchises)  
\* As of end-August 2012



Increase Store Counts in Japan

Titicaca



Japan

86 stores (including franchises)  
\* As of end-August 2012

Enter overseas markets and increase store counts overseas

● September 2009

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



Use lessons learned in HK for further expansion overseas

Apr 2012 Established TITICACA HONG KONG LIMITED  
(First store opened on August 9)

May 2012 Established Village Vanguard (Taiwan) Limited  
(First store opened on August 17)



Taiwan store



Hong Kong stores

## 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: 4 (directly managed) (as of end-August 2012)
- No. of employees: 19 full-time employees  
6 part-time workers



Ho Wing Pong  
Raymond



Outside of Store



# Village Vanguard (Hong Kong) Limited

VILLAGE/VANGUARD

## Results

	FY05/12	FY05/13 (Results and Plan)			
(Thousand Yen)	FY	Q1	Q2	Q3	Q4
Sales	106,168	27,403	59,787	97,094	131,580
Vs. Plan		-4,097	-	-	-
YoY Change	-8,851	-2,233	+7,396	+12,842	+22,411
GP	37,119	11,075	23,915	38,837	52,632
Vs. Plan		-1,524	-	-	-
YoY Change	-11,608	-2,045	+4,025	+5,388	+15,512
OP	-38,189	-4,575	-10,522	-14,041	-17,237
Vs. Plan		+343	-	-	-
YoY Change	+4,281	+814	+11,788	+13,769	+22,151
RP	-38,325	-3,638	-8,965	-11,663	-14,038
Vs. Plan		+545	-	-	-
YoY Change	+5,411	+1,761	+13,355	+15,638	+24,286
Net Income	-39,303	-3,638	-8,965	-11,663	-14,038
Vs. Plan		+545	-	-	-
YoY Change	+6,677	+1,761	+13,355	+15,638	+25,265

Quarter results and estimates may not add up to our 1H and full-year forecasts.

## Inside Store



## 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)
- No. of employees: 4 full-time employees  
1 part-time employee



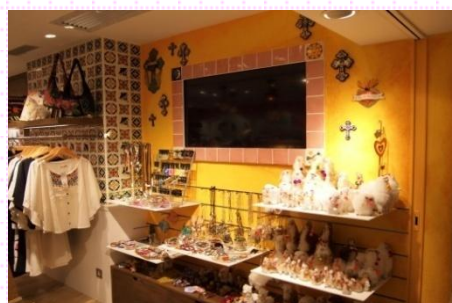
The first Titicaca store opened at World Trade Center in Causeway Bay, Hong Kong

## Results

	FY05/13 (Results and Plan)			
(Thousand Yen)	Q1 (Actual)	Q2 (Plan)	Q3 (Plan)	Q4 (Plan)
<b>Net Sales</b>	<b>3,726</b>	<b>8,000</b>	<b>14,000</b>	<b>20,000</b>
Vs. Plan (%)	186.3%	-	-	-
YoY (%)	-	-	-	-
<b>GP</b>	<b>1,940</b>	<b>5,112</b>	<b>8,947</b>	<b>12,782</b>
Vs. Plan (%)	170.7%	-	-	-
YoY (%)	-	-	-	-
<b>OP</b>	<b>-4,597</b>	<b>-9,736</b>	<b>-13,584</b>	<b>-17,432</b>
Vs. Plan (%)	-	-	-	-
YoY (%)	-	-	-	-
<b>RP</b>	<b>-4,615</b>	<b>-9,736</b>	<b>-13,584</b>	<b>-17,432</b>
Vs. Plan (%)	-	-	-	-
YoY (%)	-	-	-	-
<b>Net Income</b>	<b>-4,615</b>	<b>-9,736</b>	<b>-13,584</b>	<b>-17,432</b>
Vs. Plan (%)	-	-	-	-
YoY (%)	-	-	-	-

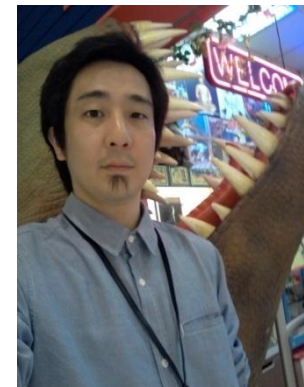
## Inside Store

World Trade Center in  
Causeway Bay, Hong Kong



## 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. 65,000,000 yen)
- No. of stores: 1 directly managed store (plan)
- No. of employees: 2 full-time employees  
5 part-time employees



Store manager Mr. Tateyama

## Results

FY05/13 (Results and Plan)

(Thousand Yen)

	Q1	Q2	Q3	Q4
Sales	2,474	10,400	21,900	33,000
Vs. Plan	-1,025	-	-	-
GP	878	4,368	9,198	13,860
Vs. Plan	-591	-	-	-
OP	-10,535	-14,107	-16,745	-19,767
Vs. Plan	-681	-	-	-
RP	-10,533	-14,107	-16,745	-19,767
Vs. Plan	-679	-	-	-
Net Income	-10,533	-14,107	-16,745	-19,767
Vs. Plan	-679	-	-	-

## Inside Store



Dream Mall in Kaohsiung, Taiwan