

3rd Quarter of 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)



(Million Yen)

Income Statement (Million Yen)	FY05/09				FY05/10			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4 Est
Sales	7,343	7,462	9,739	8,682	8,630	8,273	10,290	10,447
SG&A	2,270	2,723	2,798	2,831	2,799	2,879	3,069	3,380
Labor	995	1,094	1,150	1,198	1,248	1,246	1,327	1,491
Rent	632	650	833	752	753	732	883	784
Depreciation	69	95	108	113	102	108	113	152
Operating Profit	731	374	1,151	866	799	548	1,203	931
Recurring Profit	753	391	1,164	863	814	561	1,213	931
Net Profit	414	214	605	468	462	299	641	574
Sales YoY	16.2%	21.5%	23.0%	19.0%	17.5%	10.9%	5.7%	20.3%
SG&A YoY	-22.3%	33.5%	30.1%	28.9%	23.3%	5.7%	9.7%	19.4%
Labor YoY	-19.8%	23.9%	27.4%	30.2%	25.4%	13.9%	15.4%	24.5%
Rent YoY	-17.5%	22.0%	24.9%	19.9%	19.2%	12.6%	6.0%	4.3%
Depreciation YoY	-9.6%	69.6%	50.0%	41.3%	47.1%	13.7%	4.6%	34.5%
Operating Profit YoY	8.0%	-31.8%	9.4%	23.2%	9.3%	46.5%	4.5%	7.5%
Recurring Profit YoY	9.4%	-30.8%	8.9%	20.0%	8.0%	43.5%	4.2%	7.9%
Net Profit YoY	8.3%	-30.5%	1.3%	148.9%	11.6%	39.7%	6.0%	22.6%
Operating Profit Margin	10.0%	5.0%	11.8%	10.0%	9.3%	6.6%	11.7%	8.9%
Recurring Profit Margin	10.3%	5.2%	12.0%	9.9%	9.4%	6.8%	11.8%	8.9%
Net Profit Margin	5.6%	2.9%	6.2%	5.4%	5.4%	3.6%	6.2%	5.5%

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

(Million Yen)

Balance Sheet								
(Million Yen)	FY05/09				FY05/10			
	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	3,436
Inventories	11,340	13,711	13,881	14,131	15,003	15,928	15,315	16,384
Other	2,421	2,372	2,225	2,486	2,601	2,345	2,448	2,607
Current Assets	16,512	18,470	19,119	19,695	20,290	21,231	21,267	22,428
Fixed Assets	3,299	4,218	4,227	4,383	4,440	4,519	4,414	4,455
Total Assets	19,812	22,688	23,347	24,079	24,731	25,750	25,682	26,884
Current Liabilities	6,586	8,361	6,933	7,525	8,053	8,214	7,626	8,587
Fixed Liabilities	2,068	2,955	4,436	4,108	3,824	4,382	4,261	3,929
Total Liabilities	8,654	11,316	11,369	11,633	11,877	12,596	11,887	12,516
Shareholders' Equity	11,157	11,372	11,976	12,445	12,853	13,153	13,793	14,367

(Million Yen)

Cash Flow Statement		FY05/09				FY05/10			
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4 Est	
Operating Cash Flow	-419	-533	-1,758	-735	-292	-146	298	1,133	
Change in Inventories	-412	-2,783	-2,953	-3,203	-872	-1,796	-1,183	-2,253	
Other	-6	2,250	1,194	2,467	579	1,650	1,481	3,386	
Investment Cash Flow	-239	-1,182	-1,497	-1,803	-186	-475	-600	-737	
Change in Fixed Assets	-127	-798	-947	-1,166	-104	-212	-309	-388	
Change in Other Assets	-112	-383	-550	-636	-82	-262	-291	-349	
Financing Cash Flow	422	1,119	3,284	2,633	86	503	728	-38	
Operating CF + Investment CF	-658	-1,715	-3,256	-2,359	-479	-621	-302	395	

Source: Company Data Processed by SR Inc.

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

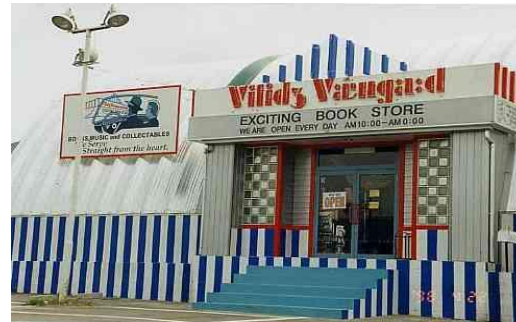
Parent Company

Village Vanguard Corporation K.K.

What We Do



■ Village Vanguard



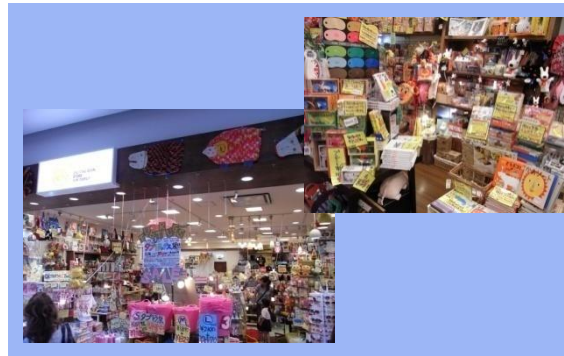
■ Diner

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
「米」「麦」「芋」

- 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)



We delegate both purchasing and sales decisions to the store level

Marketing

Purchasing

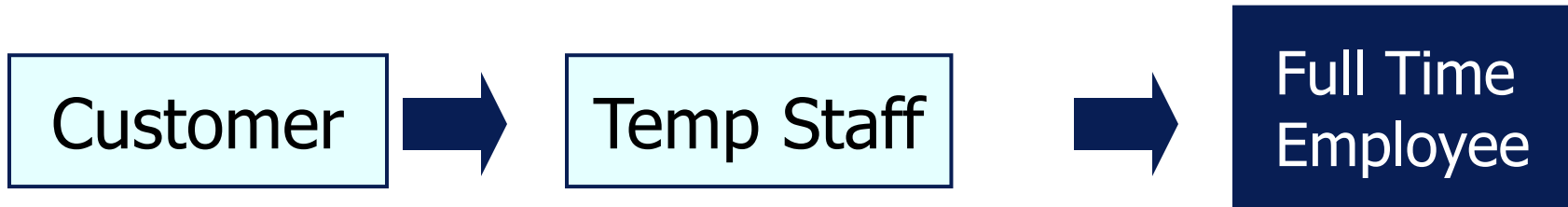
Store Merchandising and Display

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)

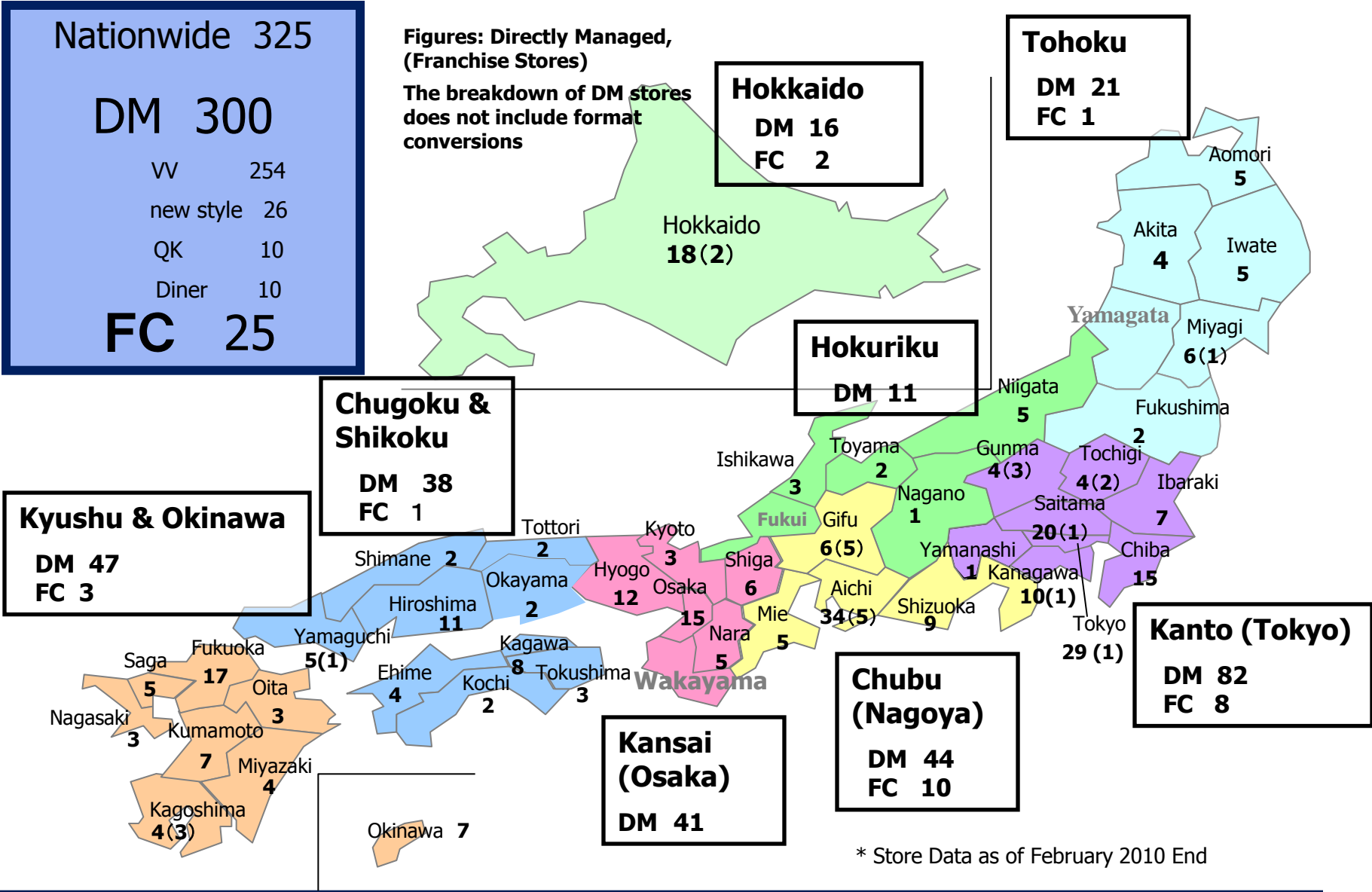
Nationwide 325

DM 300

WV 254
 new style 26
 QK 10
 Diner 10

FC 25

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



* Store Data as of February 2010 End

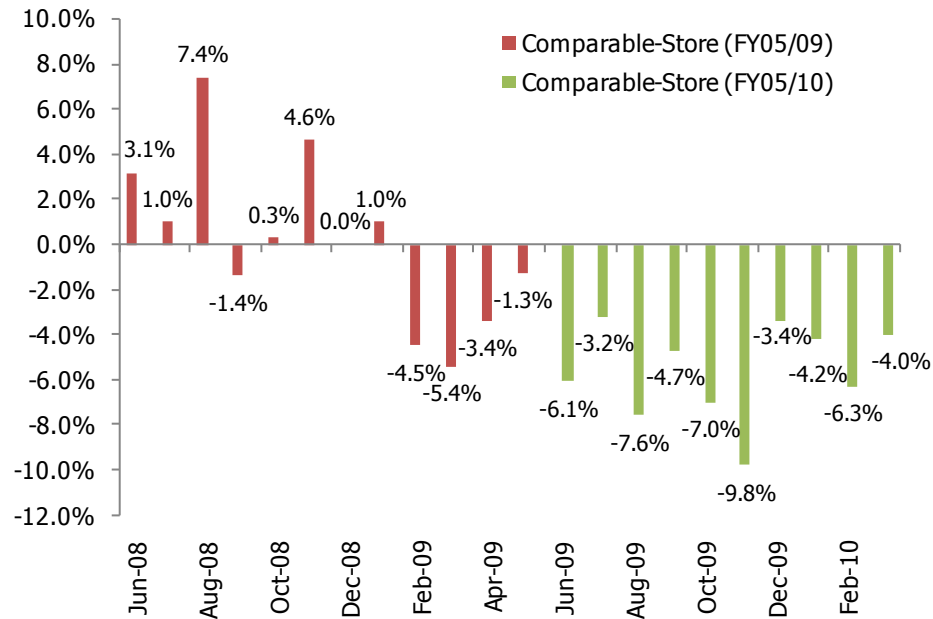
Parent Income Statement



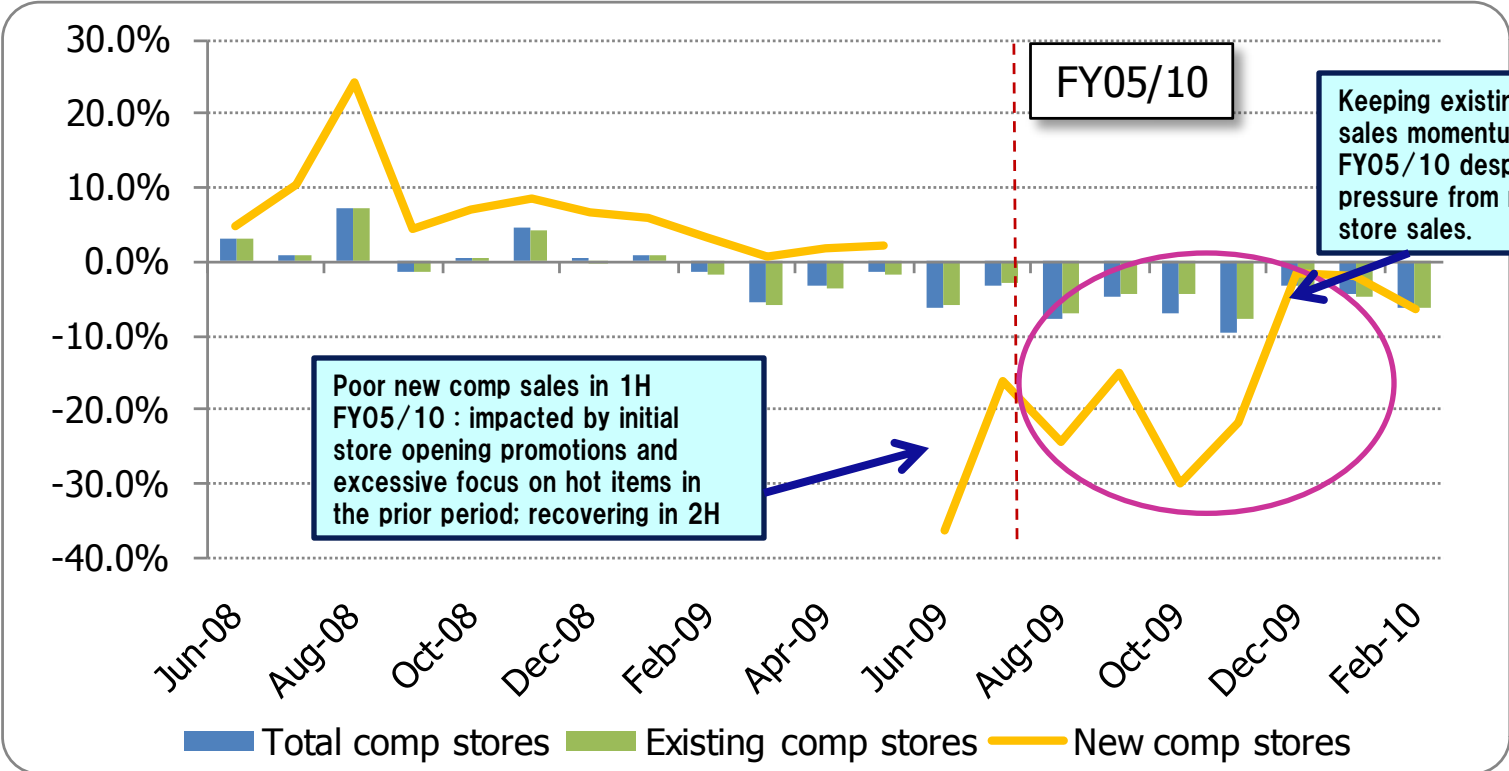
(Million Yen)

Income Statement												
(Million Yen)	FY05/08				FY05/09				FY05/10			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4 Est
Sales	6,118	5,929	7,714	7,098	7,096	7,144	9,438	8,397	8,271	7,827	9,888	9,893
Gross Profit	2,383	2,438	3,057	2,761	2,821	2,880	3,739	3,506	3,351	3,130	3,994	3,982
SG&A	1,703	1,878	1,986	2,029	2,092	2,521	2,586	2,622	2,567	2,610	2,776	3,052
Labor	756	810	827	847	911	1,002	1,052	1,099	1,137	1,137	1,191	1,320
Rent	488	498	623	580	584	600	781	705	705	674	822	673
Depreciation	62	67	70	76	67	91	102	107	95	100	103	138
Operating Profit	680	559	1,071	733	729	359	1,152	885	784	519	1,218	931
Recurring Profit	693	584	1,096	756	758	383	1,173	886	806	541	1,235	925
Net Profit	386	326	624	303	418	208	637	503	455	278	664	567
Sales YoY					16.0%	20.5%	22.3%	18.3%	16.6%	9.6%	4.8%	17.8%
Operating Profit YoY					7.3%	-35.8%	7.6%	20.7%	7.5%	44.6%	5.7%	5.2%
Recurring Profit YoY					9.3%	-34.4%	7.0%	17.2%	6.3%	41.3%	5.3%	4.4%
Net Profit YoY					8.3%	-36.2%	2.1%	66.0%	8.9%	33.7%	4.2%	12.7%
Gross Profit Margins					39.8%	40.3%	39.6%	41.8%	40.5%	40.0%	40.4%	40.3%
Operating Profit Margins					10.3%	5.0%	12.2%	10.5%	9.5%	6.6%	12.3%	9.4%
Recurring Profit Margins					10.7%	5.4%	12.4%	10.6%	9.7%	6.9%	12.5%	9.4%
Net Profit Margins					5.9%	2.9%	6.7%	6.0%	5.5%	3.6%	6.7%	5.7%
Versus Plan												
Sales									101.2%	100.7%	100.1%	
SG&A									101.3%	99.7%	99.2%	
Operating Profit									103.6%	104.8%	103.8%	
Recurring Profit									104.9%	105.7%	104.5%	
Net Profit									105.8%	102.9%	100.9%	

Comparable Store Sales



Comparable Store Sales Analysis (New Comp Stores Impact)



New comp stores – stores which were included in the comparable store data since the start of the fiscal year
Existing comp stores – stores included in the comparable store data before the fiscal year began
Total comp stores - stores added as they matured to 13 months of 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	
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%	
Village Vanguard	5,064	10,065	16,625	22,585	5,964	11,493	18,538	24,787	6,110	12,025	20,152	
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%	
new style	270	535	944	1,318	351	703	1,185	1,555	373	805	1,468	
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%	
QK	20	47	124	189	67	146	251	347	105	213	368	
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%	
Online	11	27	57	92	32	71	132	181	53	109	195	
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%	
Diner	57	113	184	269	78	159	251	354	92	199	313	
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%	

Note: Sales figures accumulate quarter to quarter.

※QoQ figures are used for determining comparable store sales

Category Sales

(Million Yen)

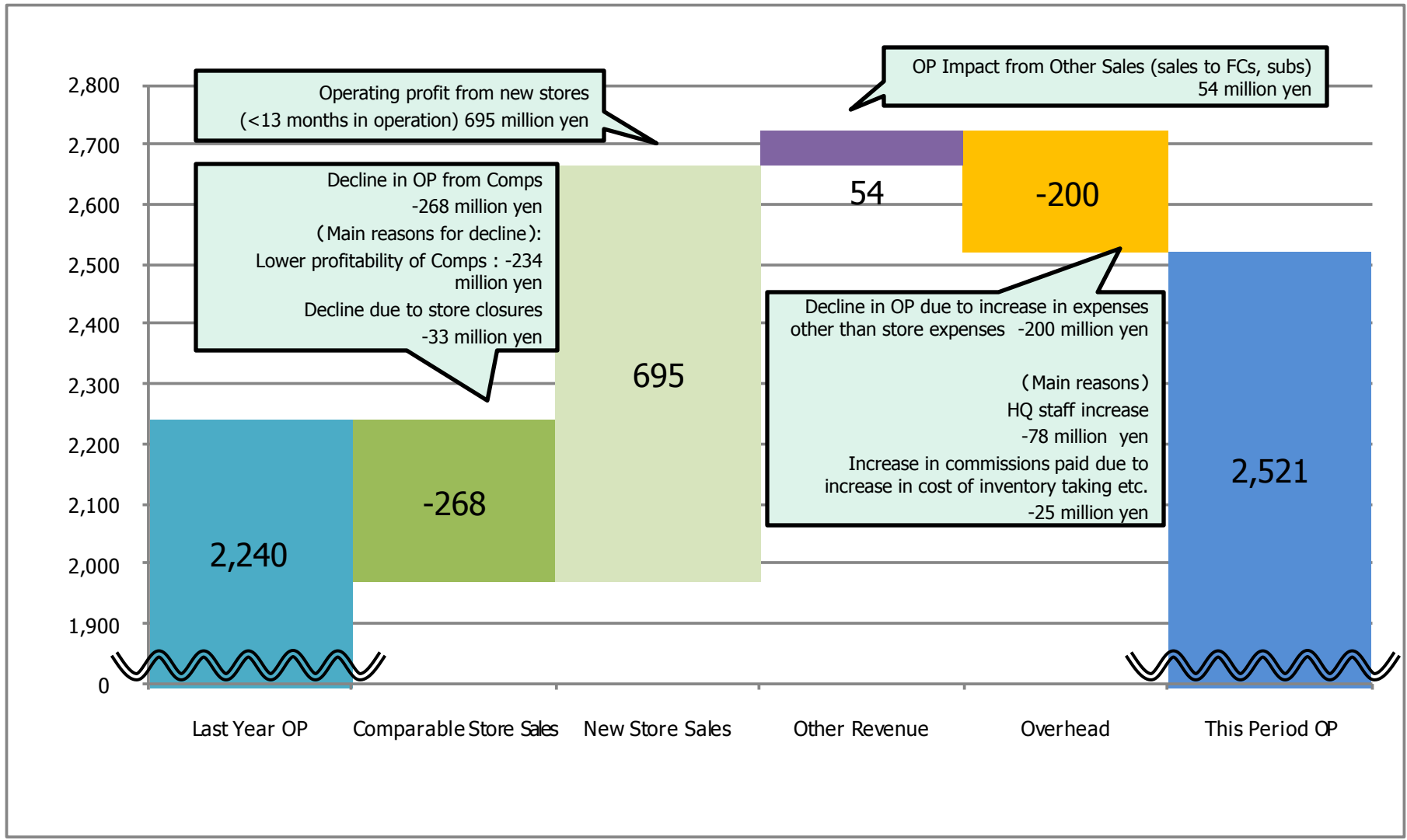
Sales by Category (Million Yen)	FY05/08				FY05/09				FY05/10			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
SPICE (Parent)	4,304	4,077	5,546	5,011	5,109	5,243	7,102	6,310	6,193	5,926	7,785	
Books (Parent)	1,025	988	1,118	1,044	1,038	1,041	1,171	1,087	1,045	997	1,147	
NM (Parent)	673	743	914	898	810	723	997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

Store Age Analysis (Directly Managed Stores)	6+	5	4	3	2	<1
Number of Stores *	101	37	46	20	60	36
YoY Sales (%)	-8.4%	-0.4%	-3.5%	-2.5%	-8.0%	-

(※1) excludes online and closed stores

OP Analysis

(Millions of yen)



Store Openings (Incl. Titicaca Subsidiary)

New Openings & Closures	FY05/08Act Full-Year	FY05/09Act Full-Year	1H	2H	FY05/10CoE Full-Year
Openings					
Village Vanguard	22	42	17	13	30
new style	3	8	1	0	1
QK	1	5	0	0	0
Diner	1	4	1	0	1
Titicaca	-	12	7	9	16
Total New Openings	27	71	26	22	48
Closures					
Village Vanguard	5	6	3	3	6
new style	-	-	0	0	0
QK	-	-	0	0	0
Diner	-	-	0	0	0
Titicaca	-	7	1	0	1
Total Closures	5	13	4	3	7

Source: Company Data Processed by SR Inc.

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

Item Variation and Sales Growth

Problem

The variation in the number of items and store merchandising themes started increasing. However, this has not produced higher sales

The near-sighted drive to improve efficiency and "sell more of what sells well"

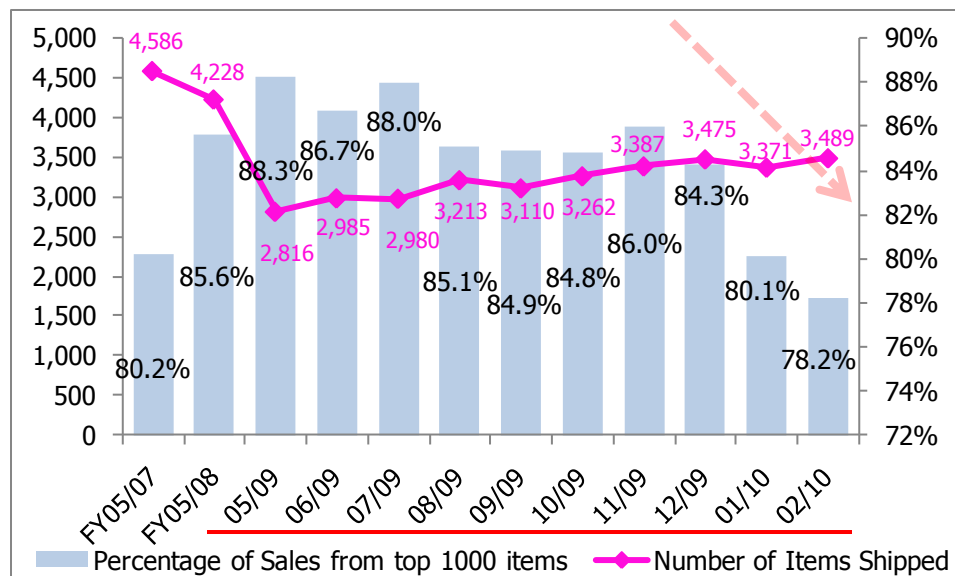
Excessive reliance on similar popular items leading to uniformity among VV stores

Unique merchandising by individual stores, a core strength of VV, is weakened

Failure to trigger a purchasing decision. Betrayal of customer expectations

Sales Decline

■ HQ Sourcing Team's Goods Shipped from the Logistics Center
 "Ratio of Sales Amount of Top 1,000 Items" and "Number of Items Shipped"
 → Both dependence on top items and lack of variety are alleviating gradually



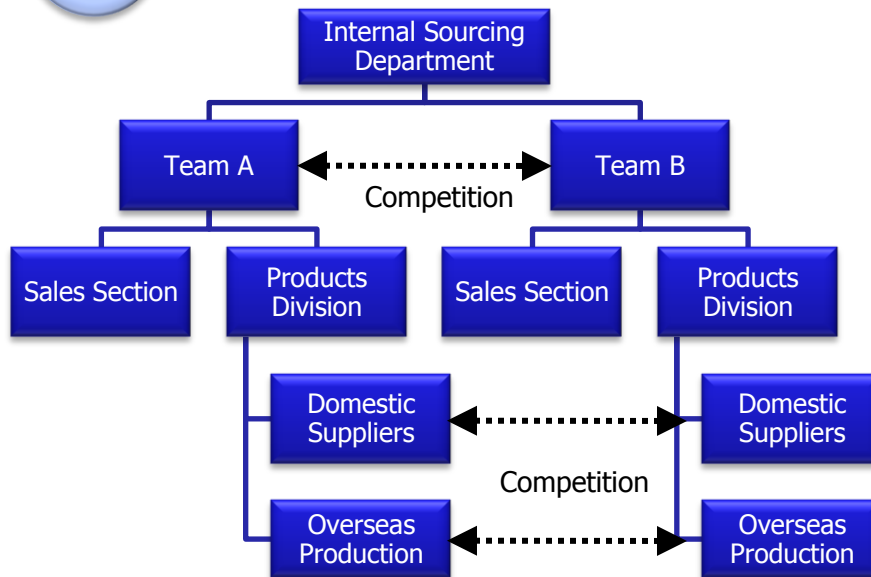
Solution

Continue striving to reflect the needs of each individual store customers, uncover new needs.

More Products from the Internal Sourcing Team

Move to a 2-team Internal Sourcing Team system (=“Internal Wholesalers”)

New
Org Chart

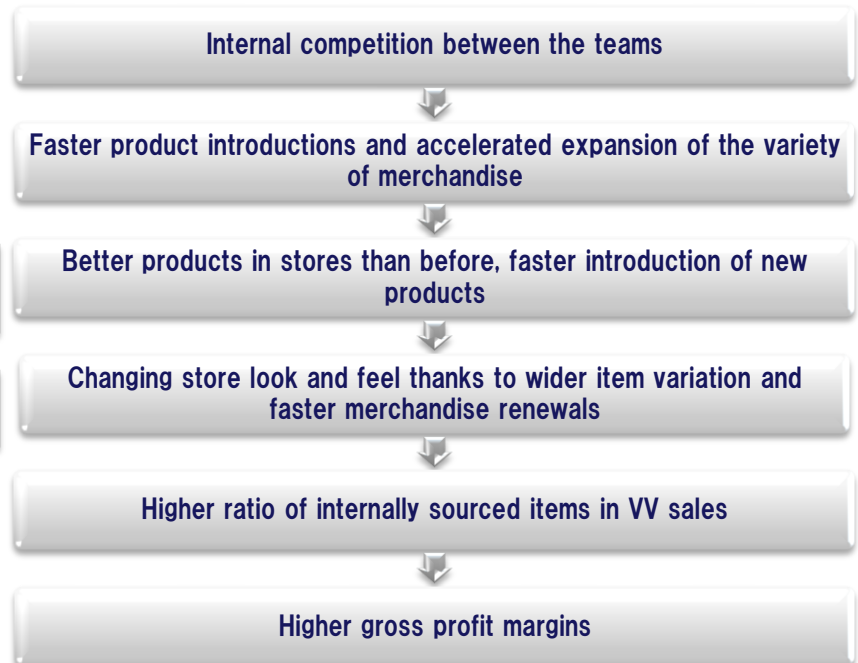


Promote internal competition, increase quality of products

■ Move to a 2-team system for the internal sourcing department from April 2010. Substantially increase department staffing.

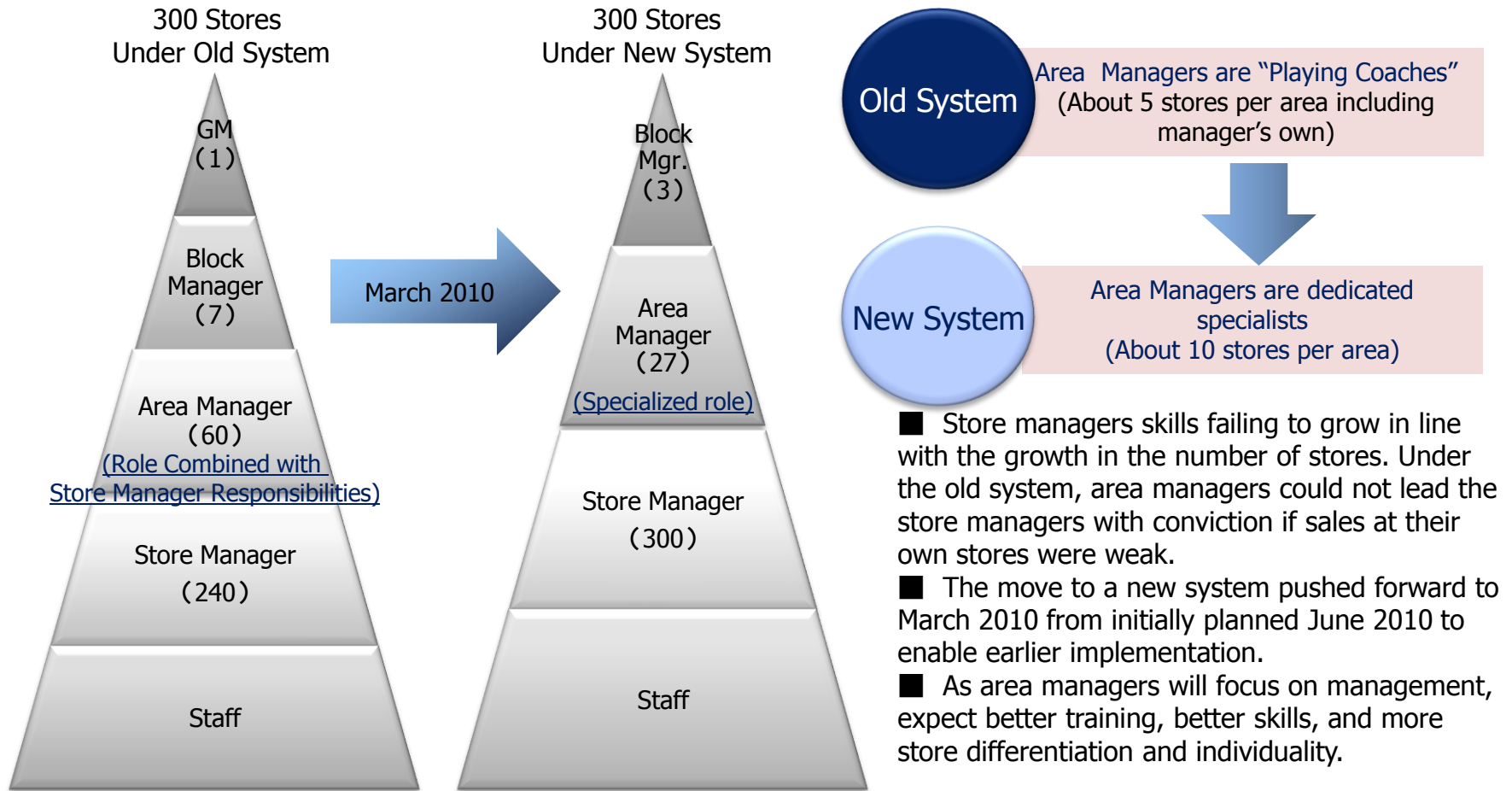
Operational Policy:

- 1) Only the team that sourced an item is allowed to promote it to stores.
- 2) Both teams sell to the same stores.



Accelerating HR Development

Move to a system of specialized Area Managers

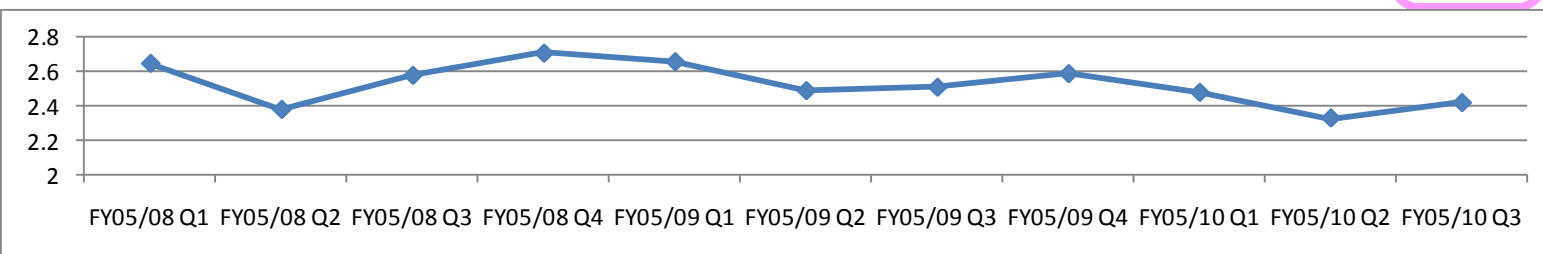


Inventory Control

Existing Store Inventory Trends

(Millions of yen)	FY05/08 Q2	FY05/08 Q4	FY05/09 Q1	FY05/09 Q2	FY05/09 Q3	FY05/09 Q4	FY05/10 Q1	FY05/10 Q2	FY05/10 Q3
Cash Flows From Operations	459	1,076	-393	-565	-1,694	-669	-197	-173	380
■ Net Income Before Tax	1,276	2,917	744	1,116	2,276	3,149	821	1,320	2,498
■ Net Increase (Decrease) In Inventories	-1,055	-1,126	-421	-2,768	-2,900	-3,107	-770	-1,711	-1,048
Existing Stores	622	403	145	934	899	666	463	1,006	356
New Stores	440	885	285	1,901	2,082	2,620	463	962	1,113
Other Stores	8	39	-9	-31	-24	-100	-129	-203	-339
Valuation Charge	-	-202	-	-38	-57	-79	-27	-55	-82
■ Other	239	-714	-716	1,084	-1,070	-711	-248	216	-1,070
Cash Flow from Investments	-74	-306	-225	-1,102	-1,379	-1,678	-145	-402	-479
Cash Flow from Financing	398	181	372	990	3,044	2,383	20	78	491
Free Cash Flow	385	770	-618	-1,667	-3,073	-2,347	-342	-576	-99
Reference									
Number of existing stores	205	203	203	215	211	219	226	254	261
Inventory change per existing store during the term	3.0	2.0	0.7	4.3	4.2	3.0	2.0	3.9	1.3

Inventory Turnover



※Data provided is unaudited, and is for illustrative purposes only.





Income Statement

Income Statement (Million Yen)	FY05/09				FY05/10			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4 Est
Sales	251	322	306	299	361	474	416	526
Operating Profit	10	26	7	-7	23	55	-10	16
Recurring Profit	8	21	5	-9	20	50	-13	10
Net Profit	8	20	3	-40	18	48	-14	13
Sales YoY					43.8%	47.2%	35.9%	75.9%
Operating Profit YoY					130.0%	111.5%	-	-
Recurring Profit YoY					150.0%	138.1%	-	-
Net Profit YoY					125.0%	140.0%	-	-
Operating Profit Margins	4.0%	8.1%	2.3%	-	6.4%	11.6%	-	3.0%
Recurring Profit Margins	3.2%	6.5%	1.6%	-	5.5%	10.5%	-	1.9%
Net Profit Margins	3.2%	6.2%	1.0%	-	5.0%	10.1%	-	2.5%
Sales vs Plan	100.0%	97.2%	96.4%	93.5%	96.8%	97.3%	86.3%	
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%	-	

Source: Company Data Processed by SR Inc.

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



1) Sales 5% below the budget (66m yen miss)

Comps -2.9%(-26m yen) **New Stores -18.8% (-53m yen)**
Wholesale Sales +20.6% (13m yen)

Comps ⇒ New comp stores this period (9 stores) 7.4% below the plan (21m yen)
New Stores ⇒ Notable negative impact of 33.8m 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) Gross profit 3.4% below the budget (29m yen miss)

Higher ratio of low margin 3rd party domestic accessories and discounted goods compared to last FY.

Response

Better merchandising through such steps as increase of apparel SKUs during normal (not bargain sales) period, faster product delivery to the stores, more direct customer contact and support typical for apparel stores.

3) SG&A expenses 1.9% (14m yen) below the budget

18m yen lower expenses due to delays with new store openings (mainly labor and rent)

Outside Titicaca Stores



Standalone Shop



'In-Shop'

Shopping centers, railway stations



Apparel Focused Store

Inside Titicaca Stores



Apparel



Accessories



Silver Accessories



Dozens of alpacas, Titicaca stores' signature item

Company Profile

Village Vanguard (Hong Kong) Limited

(Non Consolidated)

■ Stores:

#1 opened on Nov. 28, 2009 at JUSCO Kornhill(148.5sq m)

#2 opened on Dec. 15, 2009 at Dragon Center (237.6sq m)

■ Business

Directly managed Village Vanguard stores(same concept as in Japan)

■ Situation

Changing the store according to the needs of H.K. customers

■ Future Plans

To open more stores while watching the performance of the first two

Dragon Center

