

# **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)	FY05/12				FY05/13				FY05/14			
	Q1	Q2	Q3	Q4	Q1 Act.	Q2 Act.	Q3 Act.	Q4 Act.	Q1 Est.	Q2 Est.	Q3 Est.	Q4 Est.
<b>Sales</b>	<b>10,158</b>	<b>10,005</b>	<b>12,279</b>	<b>10,500</b>	<b>10,167</b>	<b>10,232</b>	<b>12,504</b>	<b>10,862</b>	<b>10,416</b>	<b>11,140</b>	<b>13,308</b>	<b>12,082</b>
SG&A	3,460	3,593	3,806	3,826	3,665	3,991	4,083	4,194	4,158	4,406	4,473	4,574
Labor	1,636	1,647	1,716	1,739	1,737	1,807	1,853	1,897	1,900	1,930	1,998	2,047
Rent	915	928	982	1,088	956	984	1,144	1,053	1,056	1,150	1,294	1,232
Depreciation	121	131	139	150	131	144	159	182	180	193	206	216
<b>Operating Profit</b>	<b>852</b>	<b>643</b>	<b>1,375</b>	<b>532</b>	<b>627</b>	<b>464</b>	<b>1,182</b>	<b>252</b>	<b>303</b>	<b>456</b>	<b>1,370</b>	<b>506</b>
<b>Recurring Profit</b>	<b>877</b>	<b>676</b>	<b>1,405</b>	<b>556</b>	<b>648</b>	<b>504</b>	<b>1,235</b>	<b>317</b>	<b>343</b>	<b>500</b>	<b>1,403</b>	<b>530</b>
<b>Net Income</b>	<b>404</b>	<b>347</b>	<b>734</b>	<b>68</b>	<b>323</b>	<b>264</b>	<b>628</b>	<b>-5,049</b>	<b>108</b>	<b>239</b>	<b>486</b>	<b>131</b>
Sales YoY	8.5%	9.6%	7.7%	5.8%	0.1%	2.3%	1.8%	3.5%	2.4%	8.9%	6.4%	11.2%
SG&A YoY	10.9%	10.1%	11.9%	11.6%	5.9%	11.1%	7.3%	9.6%	13.5%	10.4%	9.6%	9.1%
Labor YoY	11.3%	10.8%	12.5%	11.0%	6.1%	9.8%	8.0%	9.1%	9.4%	6.8%	7.8%	7.9%
Rent YoY	10.5%	12.6%	-0.9%	22.7%	4.5%	6.0%	4.4%	8.2%	10.5%	16.8%	13.1%	17.0%
Depreciation YoY	6.8%	4.8%	16.8%	10.3%	7.7%	10.5%	14.6%	21.5%	37.5%	33.7%	29.5%	18.6%
Operating Profit YoY	9.1%	3.7%	0.2%	-26.3%	-26.5%	-27.7%	-14.0%	-52.7%	-51.6%	-1.9%	15.9%	100.7%
Recurring Profit YoY	11.0%	5.1%	1.0%	-25.5%	-26.2%	-25.4%	-12.0%	-43.1%	-47.0%	-0.8%	13.6%	67.3%
Net Income YoY	50.9%	16.0%	0.2%	-82.2%	-20.0%	-24.0%	-14.5%	-	-66.5%	-9.2%	-22.6%	-
Operating Profit Margin	8.4%	6.4%	11.2%	5.1%	6.2%	4.5%	9.5%	2.3%	2.9%	4.1%	10.3%	4.2%
Recurring Profit Margin	8.6%	6.8%	11.4%	5.3%	6.4%	4.9%	9.9%	2.9%	3.3%	4.5%	10.5%	4.4%
Net Profit Margin	4.0%	3.5%	6.0%	0.6%	3.2%	2.6%	5.0%	-	1.0%	2.1%	3.7%	-
Versus plan												
Sales	-0.4%	-0.5%	-0.5%	-5.2%	1.0%	2.9%	2.5%	2.6%				
SG&A	0.1%	0.0%	1.8%	0.6%	-2.9%	1.5%	0.5%	-0.7%				
Operating Profit	4.7%	1.7%	-5.5%	-35.3%	46.5%	74.4%	13.3%	20.0%				
Recurring Profit	5.4%	5.3%	-4.0%	-33.2%	44.7%	77.5%	16.6%	39.9%				
Net Income	3.7%	6.0%	-8.3%	-84.1%	48.2%	86.0%	13.4%	-				

Source: Company data, SR Inc. Research

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

# Balance Sheet (Consolidated)

Balance Sheet (Million Yen)	FY05/12				FY05/13				FY05/14			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1 Est.	Q2 Est.	Q3 Est.	Q4 Est.
Cash & Deposit	2,586	2,865	2,773	3,570	2,721	4,009	3,201	2,995	1,934	3,078	4,299	3,647
Inventories	17,827	19,175	19,007	18,669	19,439	21,271	21,303	16,697	17,215	18,462	17,749	18,150
Other	3,411	2,960	2,914	2,675	3,227	2,708	2,644	2,082	3,478	3,289	2,551	3,190
<b>Current Assets</b>	<b>23,825</b>	<b>25,002</b>	<b>24,695</b>	<b>24,914</b>	<b>25,387</b>	<b>27,989</b>	<b>27,149</b>	<b>21,775</b>	<b>22,628</b>	<b>24,831</b>	<b>24,600</b>	<b>24,988</b>
<b>Fixed Assets</b>	<b>5,335</b>	<b>5,496</b>	<b>5,534</b>	<b>5,525</b>	<b>5,721</b>	<b>5,909</b>	<b>6,008</b>	<b>6,295</b>	<b>6,546</b>	<b>6,786</b>	<b>6,854</b>	<b>6,774</b>
<b>Total Assets</b>	<b>29,160</b>	<b>30,498</b>	<b>30,229</b>	<b>30,439</b>	<b>31,108</b>	<b>33,898</b>	<b>33,157</b>	<b>28,071</b>	<b>29,171</b>	<b>31,614</b>	<b>31,451</b>	<b>31,759</b>
<b>Current Liabilities</b>	<b>8,893</b>	<b>9,266</b>	<b>8,354</b>	<b>8,332</b>	<b>8,774</b>	<b>9,727</b>	<b>8,787</b>	<b>9,140</b>	<b>9,228</b>	<b>9,485</b>	<b>8,958</b>	<b>9,701</b>
<b>Fixed Liabilities</b>	<b>4,199</b>	<b>4,820</b>	<b>4,716</b>	<b>4,890</b>	<b>4,908</b>	<b>6,481</b>	<b>6,031</b>	<b>5,630</b>	<b>6,645</b>	<b>8,593</b>	<b>8,472</b>	<b>7,906</b>
<b>Total Liabilities</b>	<b>13,092</b>	<b>14,086</b>	<b>13,070</b>	<b>13,222</b>	<b>13,682</b>	<b>16,208</b>	<b>14,818</b>	<b>14,770</b>	<b>15,873</b>	<b>18,078</b>	<b>17,430</b>	<b>17,607</b>
<b>Net Assets</b>	<b>16,067</b>	<b>16,441</b>	<b>17,158</b>	<b>17,217</b>	<b>17,425</b>	<b>17,690</b>	<b>18,339</b>	<b>13,300</b>	<b>13,297</b>	<b>13,536</b>	<b>14,020</b>	<b>14,151</b>

Source: Company data, SR Inc. Research

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

# Cash Flow (Consolidated)

Cash Flow Statement (Million Yen)	FY05/12				FY05/13				FY05/14			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1 Est.	Q2 Est.	Q3 Est.	Q4 Est.
<b>Operating Cash Flow</b>	<b>-1,053</b>	<b>-773</b>	<b>-876</b>	<b>558</b>	<b>-520</b>	<b>-616</b>	<b>-1,198</b>	<b>18</b>	<b>-1,867</b>	<b>-2,014</b>	<b>-825</b>	<b>-258</b>
Change in Inventories	-881	-2,228	-2,056	-1,720	-770	-2,597	-2,615	-2,689	-517	-1,764	-1,051	-1,453
Other	-171	1,454	1,179	2,277	250	1,980	1,417	2,707	-1,349	-249	225	1,194
<b>Investment Cash Flow</b>	<b>-329</b>	<b>-618</b>	<b>-843</b>	<b>-1,131</b>	<b>-424</b>	<b>-713</b>	<b>-985</b>	<b>-1,457</b>	<b>-553</b>	<b>-1,034</b>	<b>-1,339</b>	<b>-1,617</b>
Change in Tangible Fixed Assets	-188	-360	-505	-677	-297	-522	-744	-1,091	-407	-829	-1,100	-1,332
Change in Other Assets	-140	-257	-338	-453	-127	-191	-240	-366	-146	-205	-238	-285
Financing Cash Flow	0	288	522	171	96	1,762	1,795	835	1,359	3,131	3,468	2,528
<b>Operating CF + Investment CF</b>	<b>-1,382</b>	<b>-1,392</b>	<b>-1,719</b>	<b>-572</b>	<b>-945</b>	<b>-1,330</b>	<b>-2,183</b>	<b>-1,439</b>	<b>-2,420</b>	<b>-3,048</b>	<b>-2,164</b>	<b>-1,876</b>

Source: Company data, SR Inc. Research

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

Parent Company

Village Vanguard Corporation

# What We Do



**Mall-located Store**

**Standalone Store**

## ■ 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.



## ■ Diner

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



## ■ new style

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



## ■ QK

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

## ■ Other Formats





# Examples of Our Merchandising Approach (1)

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

For example, merchandise themed around "World Travel"

Listen to music while looking at world scenery

BOOKS+MUSIC

Books to read before traveling

World confectionery and beverages

- HARIBO
- Banana chips

Too hard?

**Dream big!**

Have to save up for your trip!

- Book on "How to save 100,000 yen"
- 100,000 yen money box
- 1 million yen money box

Merchandise themed around "Harajuku Girls"

Once upon a time,  
there was a very long zipper...

Neon-colored accessories

We love everything fluffy★

- Cat earmuffs
- Monstaz
- Unique make-up pouch

Fashion reference magazines that will set you apart from the crowd

- NADIA
- FASHION THEORY
- NYLON



# Examples of Our Merchandising Approach (2)



VILLAGE/VANGUARD





**VILLAGE/VANGUARD**



We delegate both purchasing and sales decisions to the store level

## Marketing

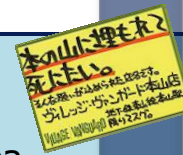
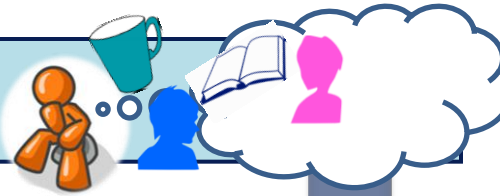
- Focus on customer needs in each store

## 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



Individual Store

Create a retail space that respond to 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

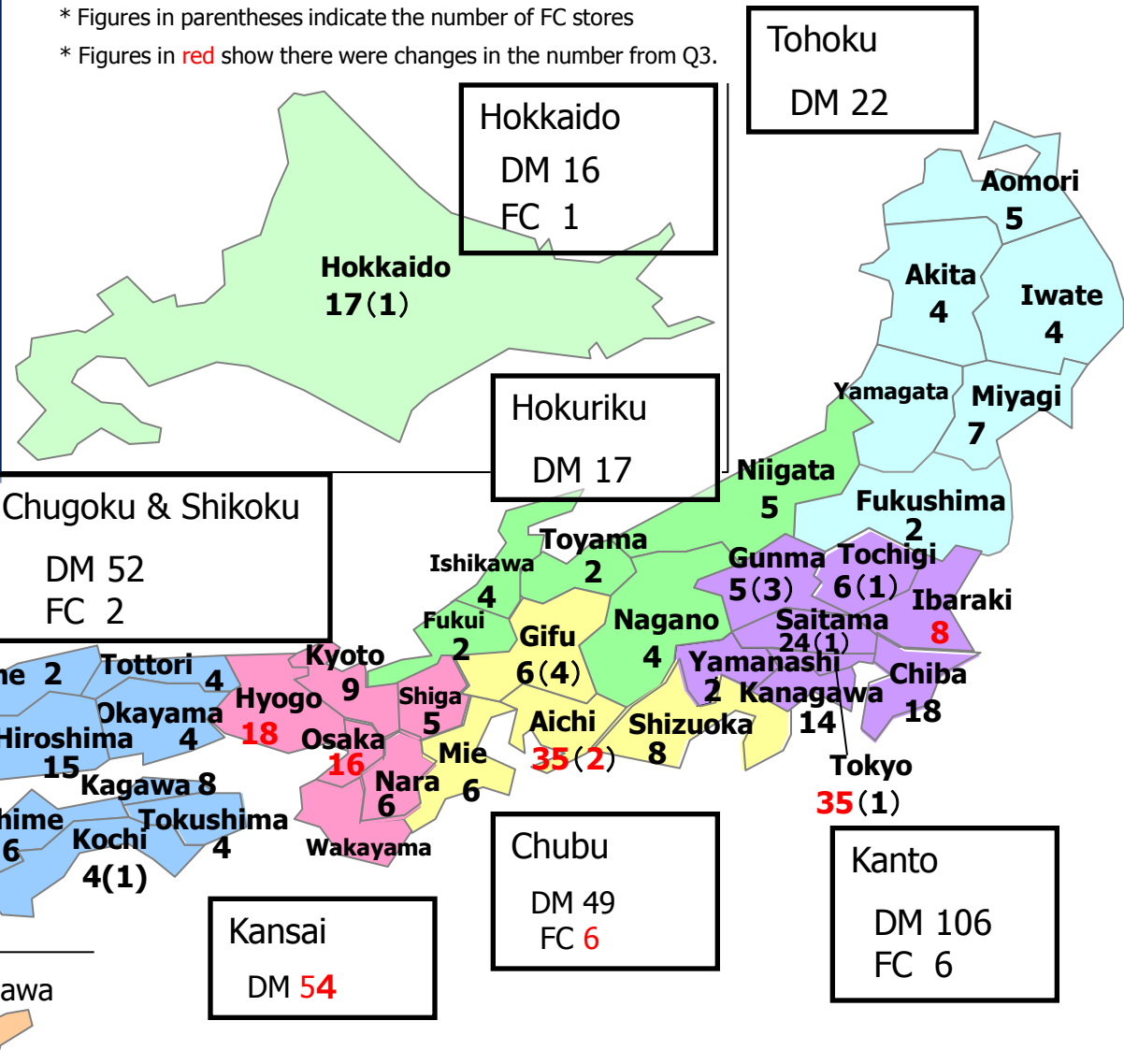


# Store Network (Parent)

Store data as of end-May 2013

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

**393** stores nationwide  
**378** directly managed (DM)  
 {  
     **326** VV format  
     **39** new style format  
     4 QK format  
     9 Diner format  
**15** FC Stores





# Village Vanguard – Results (Parent)

# Income Statement (Parent)

Parent Income Statement (million yen)		FY05/12				FY05/13				FY05/14			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1 Est.	Q2 Est.	Q3 Est.	Q4 Est.
<b>Sales</b>		<b>9,306</b>	<b>8,863</b>	<b>11,254</b>	<b>9,509</b>	<b>8,949</b>	<b>8,541</b>	<b>10,983</b>	<b>9,286</b>	<b>8,750</b>	<b>8,659</b>	<b>11,162</b>	<b>9,777</b>
<b>Gross Profit</b>		<b>3,738</b>	<b>3,432</b>	<b>4,501</b>	<b>3,690</b>	<b>3,464</b>	<b>3,313</b>	<b>4,271</b>	<b>3,517</b>	<b>3,379</b>	<b>3,349</b>	<b>4,460</b>	<b>3,777</b>
SG&A		2,984	3,032	3,248	3,214	2,988	3,183	3,253	3,281	3,154	3,244	3,324	3,339
Labor		1,420	1,412	1,478	1,484	1,444	1,493	1,508	1,534	1,468	1,475	1,519	1,543
Rent		808	793	975	843	802	783	954	836	801	812	986	895
Depreciation		96	101	104	111	92	99	104	119	116	121	126	130
<b>Operating Profit</b>		<b>754</b>	<b>399</b>	<b>1,254</b>	<b>476</b>	<b>476</b>	<b>129</b>	<b>1,018</b>	<b>236</b>	<b>225</b>	<b>105</b>	<b>1,137</b>	<b>437</b>
<b>Recurring Profit</b>		<b>788</b>	<b>441</b>	<b>1,299</b>	<b>509</b>	<b>506</b>	<b>190</b>	<b>1,086</b>	<b>300</b>	<b>276</b>	<b>164</b>	<b>1,178</b>	<b>475</b>
<b>Net Income</b>		<b>364</b>	<b>229</b>	<b>679</b>	<b>-35</b>	<b>251</b>	<b>88</b>	<b>548</b>	<b>-5,152</b>	<b>76</b>	<b>42</b>	<b>359</b>	<b>109</b>
Sales YoY		5.9%	5.5%	4.4%	2.1%	-3.8%	-3.6%	-2.4%	-2.3%	-2.2%	1.4%	1.6%	5.3%
Gross Profit YoY		6.8%	-5.6%	5.1%	-2.6%	-7.3%	-3.5%	-5.1%	-4.7%	-2.5%	1.1%	4.4%	7.4%
Operating Profit YoY		2.2%	-25.3%	-6.3%	-35.7%	-37.0%	-67.6%	-18.8%	-50.5%	-52.6%	-18.8%	11.6%	85.5%
Recurring Profit YoY		3.8%	-21.8%	-5.1%	-34.0%	-35.7%	-57.0%	-16.4%	-41.2%	-45.5%	-13.7%	8.5%	58.3%
Net Income YoY		37.0%	-16.1%	-7.1%	-108.1%	-31.2%	-61.3%	-19.2%	-	-69.5%	-52.4%	-34.4%	-
Gross Profit Margin		40.2%	38.7%	40.0%	38.8%	38.7%	38.8%	38.9%	37.9%	38.6%	38.7%	40.0%	38.6%
Operating Profit Margin		8.1%	4.5%	11.1%	5.0%	5.3%	1.5%	9.3%	2.5%	2.6%	1.2%	10.2%	4.5%
Recurring Profit Margin		8.5%	5.0%	11.5%	5.4%	5.7%	2.2%	9.9%	3.2%	3.2%	1.9%	10.6%	4.8%
Net Profit Margin		3.9%	2.6%	6.0%	-0.4%	2.8%	1.0%	5.0%	-	0.9%	0.5%	3.2%	1.1%
Versus Plan													
Sales		-0.5%	-0.6%	-0.6%	-2.0%	1.4%	3.9%	2.6%	2.1%				
Gross Profit		0.7%	-1.2%	-1.3%	-3.1%	2.0%	5.6%	3.5%	0.4%				
SG&A		0.2%	0.1%	0.9%	0.7%	-2.9%	1.5%	-0.5%	-2.8%				
Operating Profit		2.5%	-7.4%	-8.9%	-16.9%	48.8%	-	18.8%	86.1%				
Recurring Profit		3.5%	-4.9%	-6.7%	-14.6%	43.1%	539.7%	22.5%	93.9%				
Net Income		1.3%	-6.4%	-10.3%	-33.3%	44.8%	-	21.3%	-				

Source: Company data, SR Inc. Research

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

# Sales by Category

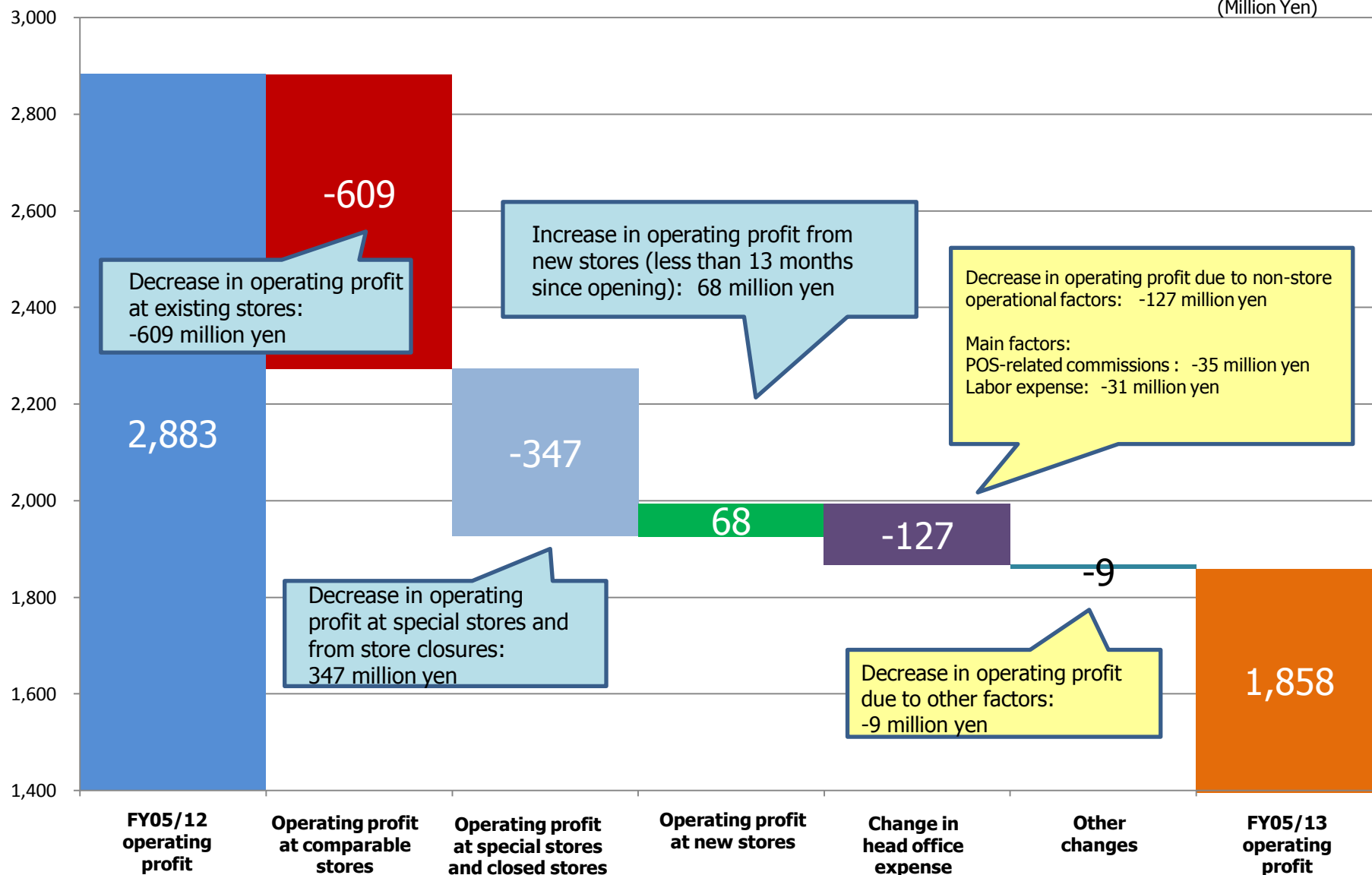
Sales by Category		FY05/11				FY05/12				FY05/13			
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
SPICE (Parent)	6,780	6,461	8,609	7,177	7,361	6,999	9,216	7,684	7,217	6,958	9,205	7,718	
(Internal Sourcing Team)	1,752	1,770	2,713	2,088	2,217	2,214	3,116	2,310	2,066	2,056	2,846	2,299	
(Other)	5,027	4,691	5,896	5,090	5,143	4,786	6,100	5,374	5,151	4,903	6,359	5,419	
Books (Parent)	1,023	1,039	1,178	1,156	1,043	993	1,114	1,040	977	913	1,051	896	
NM (Parent)	790	719	804	792	734	712	772	594	577	489	586	503	
Other (Parent)	188	184	184	190	167	158	152	192	178	181	140	168	
Sales	8,783	8,402	10,776	9,315	9,305	8,864	11,254	9,509	8,949	8,541	10,983	9,286	
Composition													
SPICE (Parent)	77.2%	76.9%	79.9%	77.0%	79.1%	79.0%	81.9%	80.8%	80.7%	81.5%	81.8%	83.1%	
(Internal Sourcing Team)	20.0%	20.5%	22.3%	22.4%	23.8%	25.0%	27.7%	24.3%	23.1%	24.1%	25.3%	24.8%	
(Other)	57.2%	56.6%	55.8%	54.6%	55.3%	54.0%	54.2%	56.5%	57.6%	57.4%	56.5%	58.4%	
Books (Parent)	11.6%	12.4%	10.9%	12.4%	11.2%	11.2%	9.9%	10.9%	10.9%	10.7%	9.3%	9.7%	
NM (Parent)	9.0%	8.6%	7.5%	8.5%	7.9%	8.0%	6.9%	6.2%	6.4%	5.7%	5.2%	5.4%	
Other (Parent)	2.1%	2.2%	1.7%	2.0%	1.8%	1.8%	1.4%	2.0%	2.0%	2.1%	1.2%	1.8%	

Source: Company Data, SR Inc. Research

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

# Operating Profit Analysis

(Million Yen)

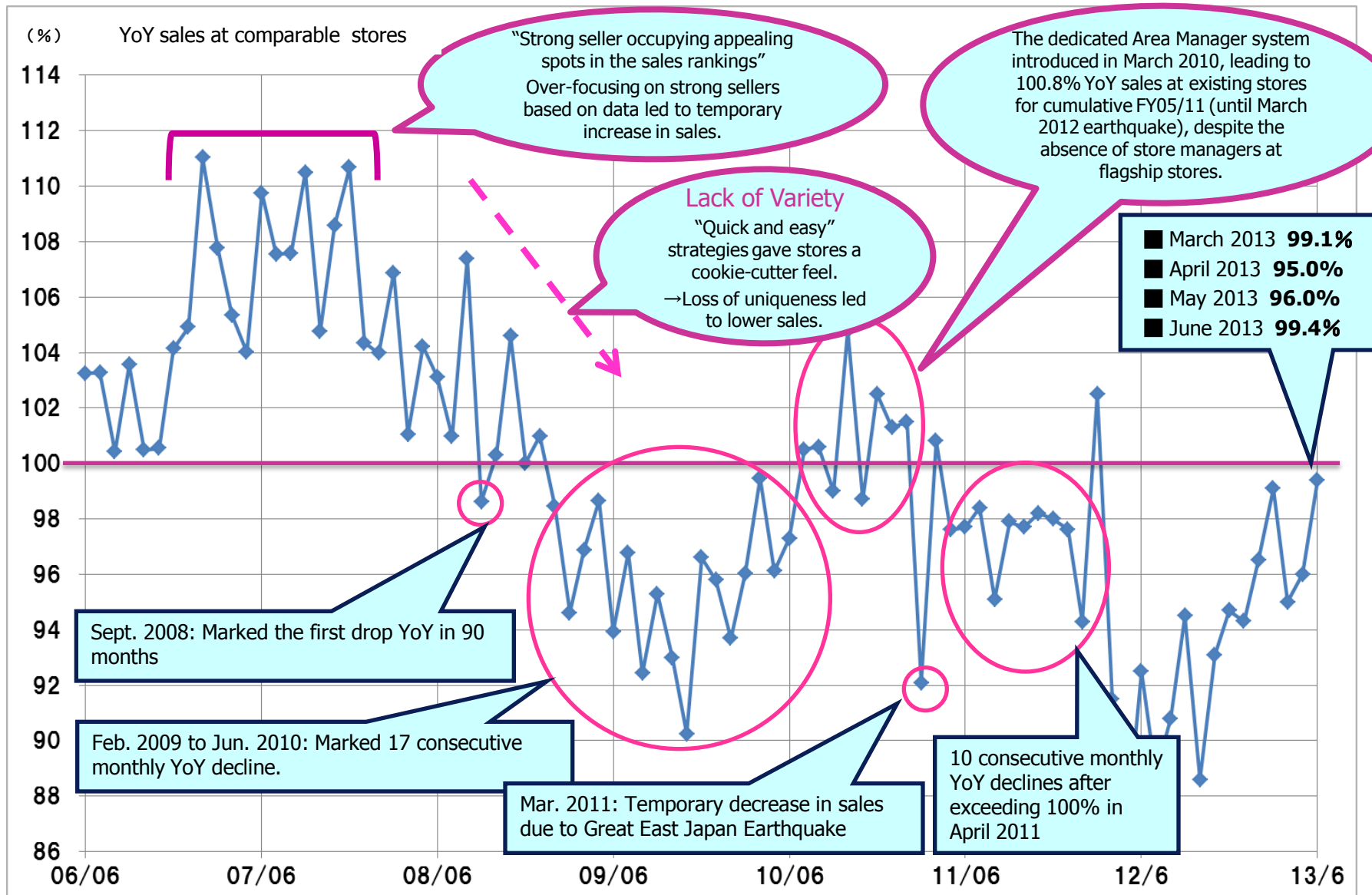


# Store Openings

	FY05/11 Actual	FY05/12 Actual	FY05/13 Plan and Actual		FY05/14 Plan				
					Q1	Q2	Q3	Q4	FY
	FY	FY	Plan	Actual	Plan				
Openings	46	38	25	17	2	8	4	6	20
Village Vanguard	39	30	20	13	1	7	1	5	14
new style	7	7	5	3	1	1	1	0	3
QK	0	1	0	0	0	0	1	0	1
Diner	0	0	0	0	0	0	1	1	2
FC	0	0	0	1	0	0	0	0	0
Closures	15	13	13	14	4	2	2	2	10
Village Vanguard	8	4	11	9	4	2	2	2	10
new style	0	2	1	1	0	0	0	0	0
QK	4	2	0	0	0	0	0	0	0
Diner	0	1	0	0	0	0	0	0	0
FC	3	4	1	4	0	0	0	0	0
Net increase/decrease	31	25	12	3	-2	6	2	4	10



# Year-on-Year Retail Sales at Comparable Stores



## Measures Focused on Achieving a Sales Recovery

Moving from “standardized basic operations” to “job content that increases creativity”

### Enhancing Skills

- 6th issue of staff magazine ⇒ learn basic skills
- Special issue: successful stores ⇒ case studies
- Companywide customer service training (including customer service contest with all stores participating)



### Enhancing creativity & building morale

- All-store contest: “Harajuku Cute Style” project (Harajuku style symbol, Kyary Pamyu Pamyu, appointed contest judge)
- Intranet site: “Yesterday’s job well done!”



Enhance the core capabilities of stores and managers

History and Retail Space  
Modules 1-6



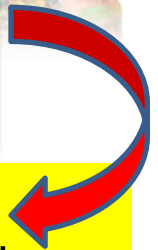
Basic Store  
Operations  
Module



Purchasing  
& Inventory  
Module



Advanced  
Modules



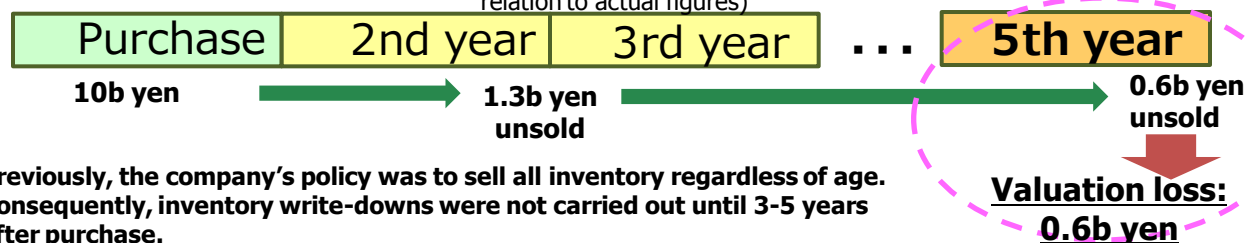
Accelerate the shift toward “job content that increases creativity” through enhanced efficiency, and create retail spaces that offer customers abundant ideas

# Next-Generation Operating Performance Management System

Change in inventory valuation method:  
Early valuation write-downs based on past inventory turnover rates

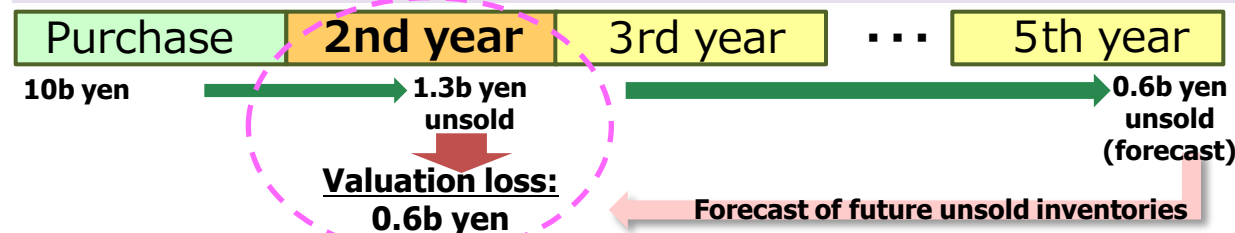
## Under the previous method:

(Figures are given as an example for illustration purposes and bear no relation to actual figures)



## Under the new method:

Inventory recognized as unlikely to sell within 5 years of purchase is  
**booked as a valuation loss in the following fiscal year**



Earnings reflect inventory situation in a timely manner

Flexibly acting to control inventories

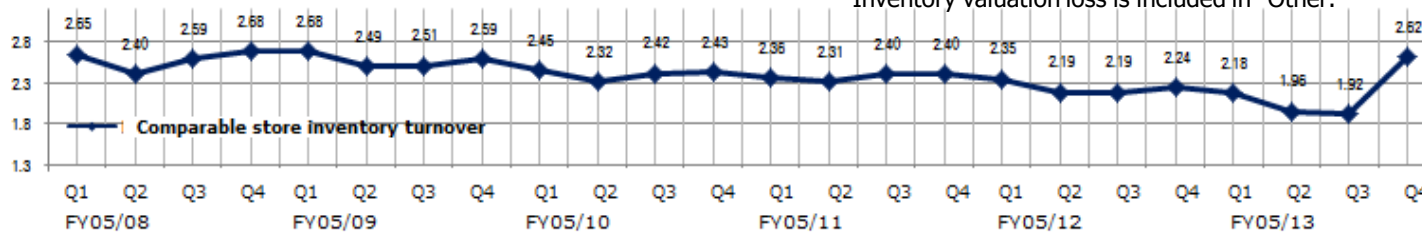
Building a foundation to enhance financial soundness and profitability

## Inventory Control

(Million Yen)

	FY05/11 Q4	FY05/12 Q1	FY05/12 Q2	FY05/12 Q3	FY05/12 Q4	FY05/13 Q1	FY05/13 Q2	FY05/13 Q3	FY05/13 Q4
Cash Flow from Operations	1,042	-950	-1,061	-1,132	102	-159	-685	-1,060	-101
■ Net Income before Tax	3,065	672	1,098	2,390	2,696	522	707	1,764	-2,743
■ Net Change in Inventories	-1,206	-844	-2,139	-1,969	-1,465	-594	-2,206	-2,163	2,490
Comparable Stores	215	603	1,454	1,326	342	564	2,168	2,272	2,288
New Stores	1,725	393	817	1,024	1,356	172	531	525	559
Other	-734	-152	-132	-382	-234	-142	-493	-634	-5,338
■ Other	-816	-778	-20	-1,553	-1,129	-86	813	-661	150
Cash Flow from Investment	-1,005	-211	-379	-531	-776	-140	-311	-356	-624
Cash Flow from Financing	-542	38	-55	336	-491	306	2,071	1,906	1,093
Free Cash Flow	37	-1,161	-1,440	-1,663	-674	-299	-996	-1,417	-726
Number of Comparable Stores	292	291	302	304	320	325	333	330	342
Inventory Change per Existing Store during the Term	0.7	2.0	4.8	4.3	1.0	1.7	6.5	6.8	6.9

\* Inventory valuation loss is included in "Other."



\* 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 variety 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 2013)
■ 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:	108 (106 directly managed stores and 2 franchises) (as of end-May 2013)
■ No. of employees:	187 full-time employees and 402 part-time workers (same as above)



Hitoshi Kinami

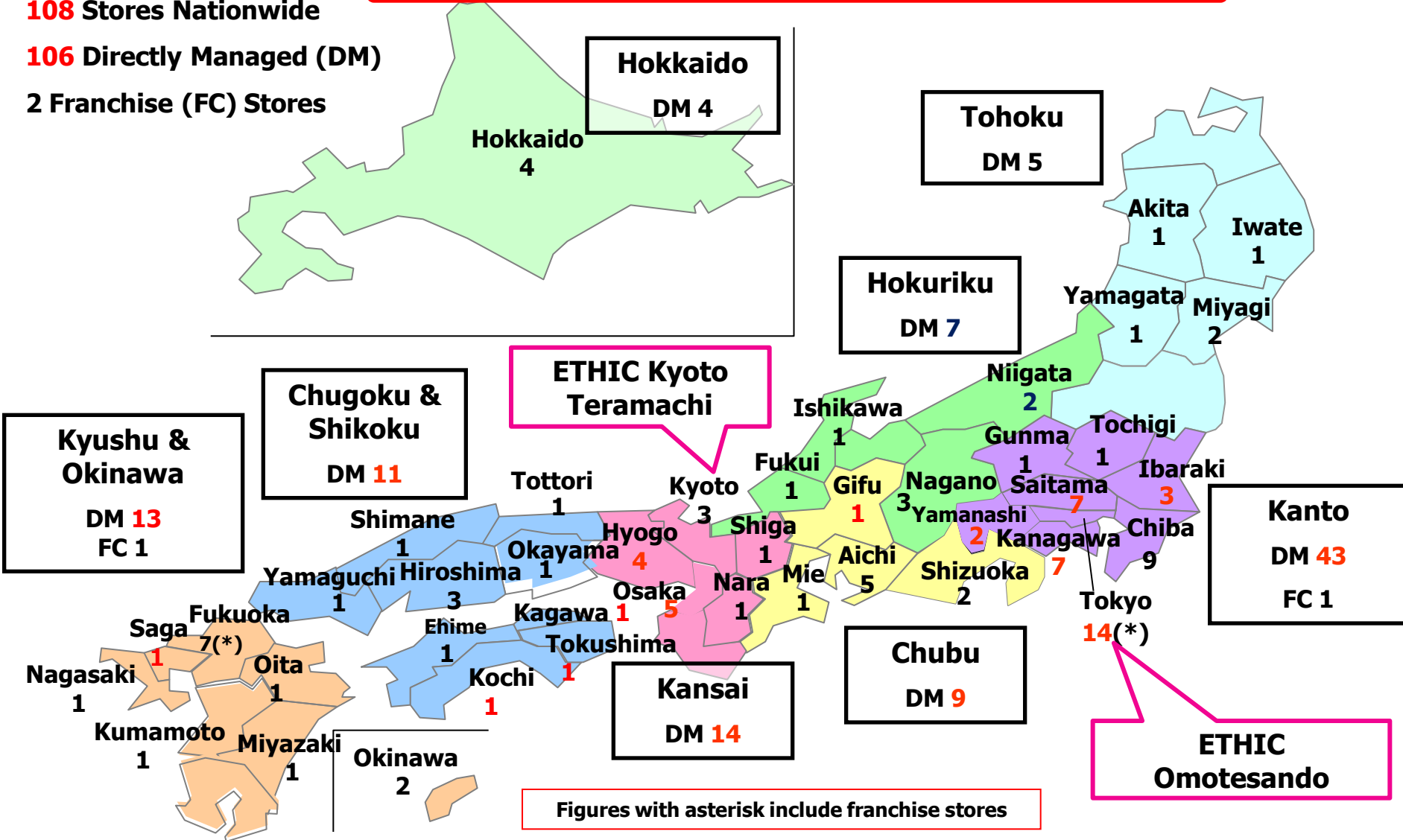
# Titicaca Store Network

Store data as of end-May 2013



Figures in red show there were changes in the number from end-February 2013

108 Stores Nationwide  
106 Directly Managed (DM)  
2 Franchise (FC) Stores



# Titicaca Store Entrances

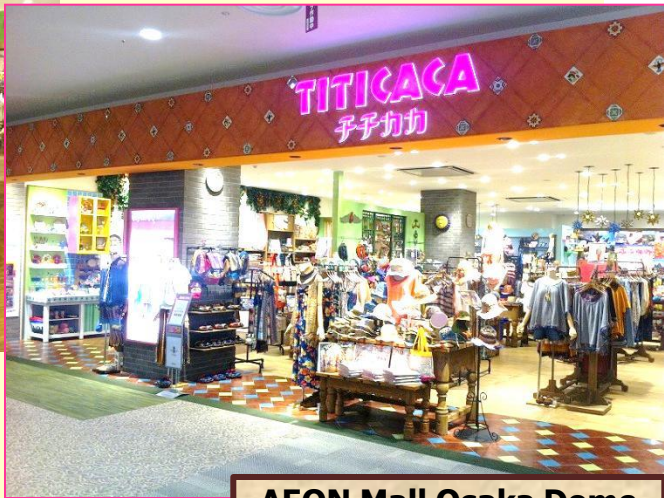
New stores opened during Q4



Kobe Harborland umie  
Opened April 16



AEON Mall Higashi Kurume  
Opened April 18



AEON Mall Osaka Dome  
Opened May 28



# Interior of Titicaca Stores







**Titicaca ETHIC** opened in Omotesando (Tokyo) and Kyoto Teramachi as flagship stores to spread the Titicaca concept

**Store Concept**

Become a bridge between producers and consumers, and contribute to society by promoting ethical consumption

**Spread Info**

- Excellent locations as information hubs
- Equipped with press room (Omotesando)
- Event space (for exhibitions, etc.) available to third parties (\*)

\* For ethical brands and fair-trade organizations

Transform the Titicaca brand based on the theme of "Ethical trade"



Strengthen Titicaca's competitive advantage to prepare for further growth







# Titicaca - Results

## Income Statement

**Results vs. forecast: Sales 101.0%**

**Recurring profit 92.6%**

Comparable stores 101.5% (+30 million yen)

Wholesale/Franchise stores: 89.5% (-15 million yen)

New stores 105.2% (+37 million yen)

**Net increase in stores YoY: 22**

FY03/13 cumulative: All-store comparison YoY **146.1%**

Titicaca Income Statement (million yen)	FY03/12				FY03/13				FY03/14			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1 Est.	Q2 Est.	Q3 Est.	Q4 Est.
Sales	826	1,148	977	1,017	1,207	1,677	1,412	1,503	1,557	2,354	1,915	2,077
Gross Profit	554	797	654	672	807	1,135	937	892	1,021	1,427	1,273	1,199
Operating Profit	108	275	128	93	166	369	165	48	90	356	229	71
Recurring Profit	106	271	118	90	159	352	154	41	80	347	220	63
Net Income	56	149	77	19	91	206	85	75	48	208	132	38
Sales YoY	42.7%	59.4%	55.1%	62.5%	46.0%	46.1%	44.4%	47.8%	29.0%	40.4%	35.7%	38.2%
Gross Profit YoY	42.0%	68.5%	58.7%	69.3%	45.6%	42.3%	43.4%	32.7%	26.6%	25.8%	35.9%	34.4%
Operating Profit YoY	63.3%	141.2%	141.5%	3000.0%	52.1%	34.2%	29.4%	-48.4%	-45.5%	-3.4%	38.4%	49.4%
Recurring Profit YoY	76.7%	146.4%	151.1%	4400.0%	49.1%	29.8%	31.3%	-54.4%	-49.8%	-1.4%	42.5%	53.6%
Net Income YoY	109.7%	175.9%	208.0%	-	60.9%	38.6%	24.8%	294.7%	-47.1%	0.9%	55.7%	-49.3%
Gross Profit Margin	67.1%	69.4%	66.9%	66.1%	66.8%	67.7%	66.4%	59.3%	65.6%	60.6%	66.5%	57.7%
Operating Profit Margin	13.1%	24.0%	13.1%	9.1%	13.7%	22.0%	11.7%	3.2%	5.8%	15.1%	11.9%	3.4%
Recurring Profit Margin	12.8%	23.6%	12.1%	8.8%	13.2%	21.0%	10.9%	2.7%	5.1%	14.7%	11.5%	3.1%
Net Profit Margin	6.8%	13.0%	7.9%	1.9%	7.5%	12.3%	6.0%	5.0%	3.1%	8.8%	6.9%	1.8%
Sales vs Plan	0.0%	5.2%	3.6%	7.4%	-0.1%	-1.1%	-0.6%	2.8%				
Gross Profit vs Plan	2.2%	19.5%	8.5%	17.7%	0.9%	9.3%	-0.5%	-2.1%				
Operating Profit vs Plan	10.6%	96.4%	73.0%	675.0%	18.4%	35.4%	-10.1%	-50.0%				
Recurring Profit vs Plan	10.8%	103.8%	78.8%	1700.0%	22.6%	33.5%	-11.9%	-53.4%				
Net Income vs Plan	4.9%	101.4%	108.1%	533.3%	14.6%	27.4%	-18.8%	38.9%				

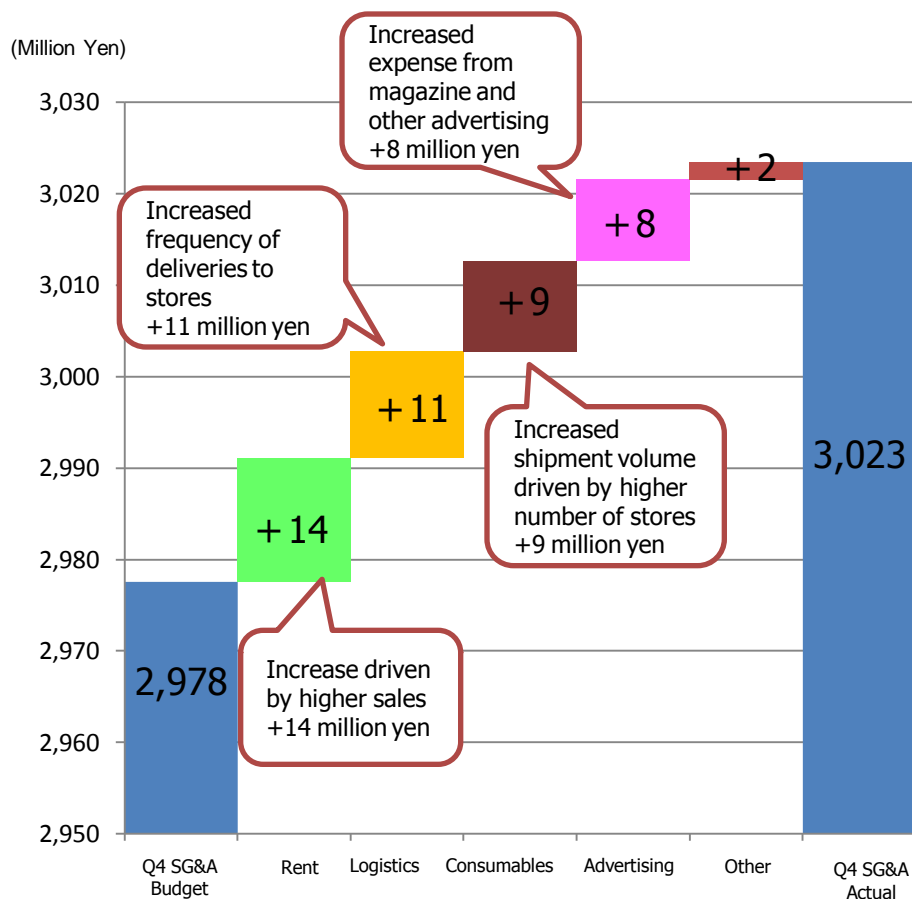
Source: Company data, SR Inc. Research

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

# Titicaca - Results

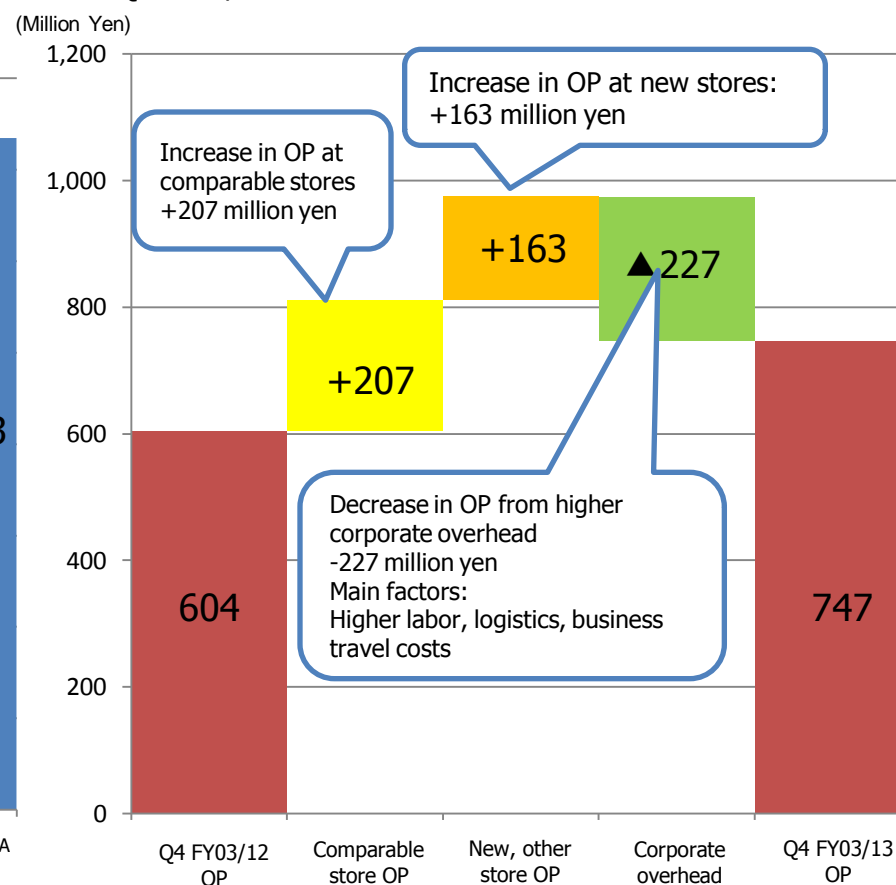
## SG&A vs. Budget

•SG&A vs. Q4 budget: +1.5% (+45 million yen)



## Operating Profit YoY

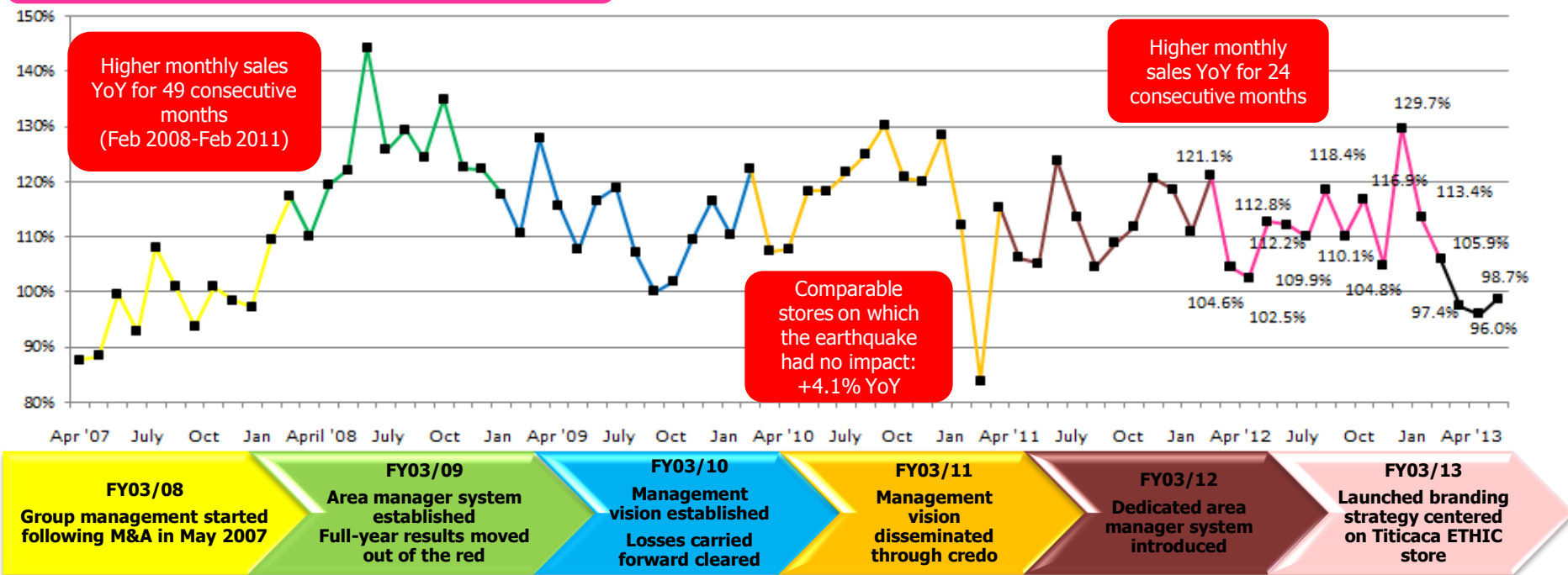
- OPM at 12.9% vs. 15.2% in Q4 FY03/12
- Ratio of corporate overhead to sales at 12.2% vs. 12.1% in Q4 FY03/12



# Titicaca - Results

## Comparable Store Sales

**+12.3% vs. FY03/13 (full year)** \* FY denoted by color



## Store Openings

	FY03/11 Actual	FY03/12 Actual	FY03/13 Plan					FY03/13 Actual					FY03/14 Plan				
			Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	(FY)	Q1	Q2	Q3	Q4	(FY)
Openings	15	21	6	4	9	5	24	6	5	6	7	24	10	3	9	6	28
Closures	4	2	1	-	-	-	1	1	-	-	1	2	-	2	-	-	2



## Tasks to Ensure Growth in the Next FY and Beyond

### ① Upgrade Production/Delivery Management System

Delays in delivering inventory due to weakness in some HQ functions

### ② Develop Human Resources

Aggressive store openings have led to large variation in store manager standards

- ① **Investment in main system**
  - Standardization and visualization of operations
  - Build an automated operational flow
- ② **Strengthen systems staff and department**
  - Boost from 5 (last FY) to 10 people (current FY)
  - Hire staff as needed

- ① **Training program for manager candidates**
  - New position of trainee manager
  - Increase the number of stores able to conduct training programs
- ② **Hire new graduates**
- ③ **Standardization of store operations**
  - Share know-how of successful stores
  - Standardization across all stores of skills acquisition flow

## Investment in systems and human resources to match growth rate

## Toward sustainable growth in the next FY and beyond

# Village Vanguard Webbed

# Company Overview (Village Vanguard Webbed)

- Company name: Village Vanguard Webbed Corporation
- Shareholder: Village Vanguard Co., Ltd. (100%)
- Business: Online retailer, real estate media site operation
- Headquarters: 2-2-3 Shinyokohama, Kohoku-ku, Yokohama, Kanagawa
- Representative: Takakazu Hirano, Managing Director
- Established: March 2011
- Began operations: April 2011
- Capital: 30 million yen
- Full-time staff: 6 (as of end-May 2013)



Takakazu Hirano

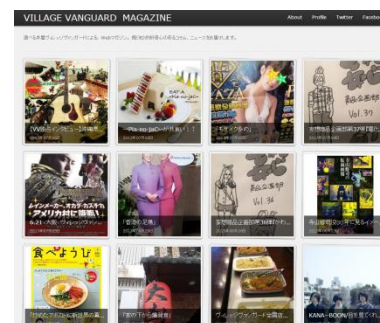
## Real estate site



## Online shopping site



## Magazine site



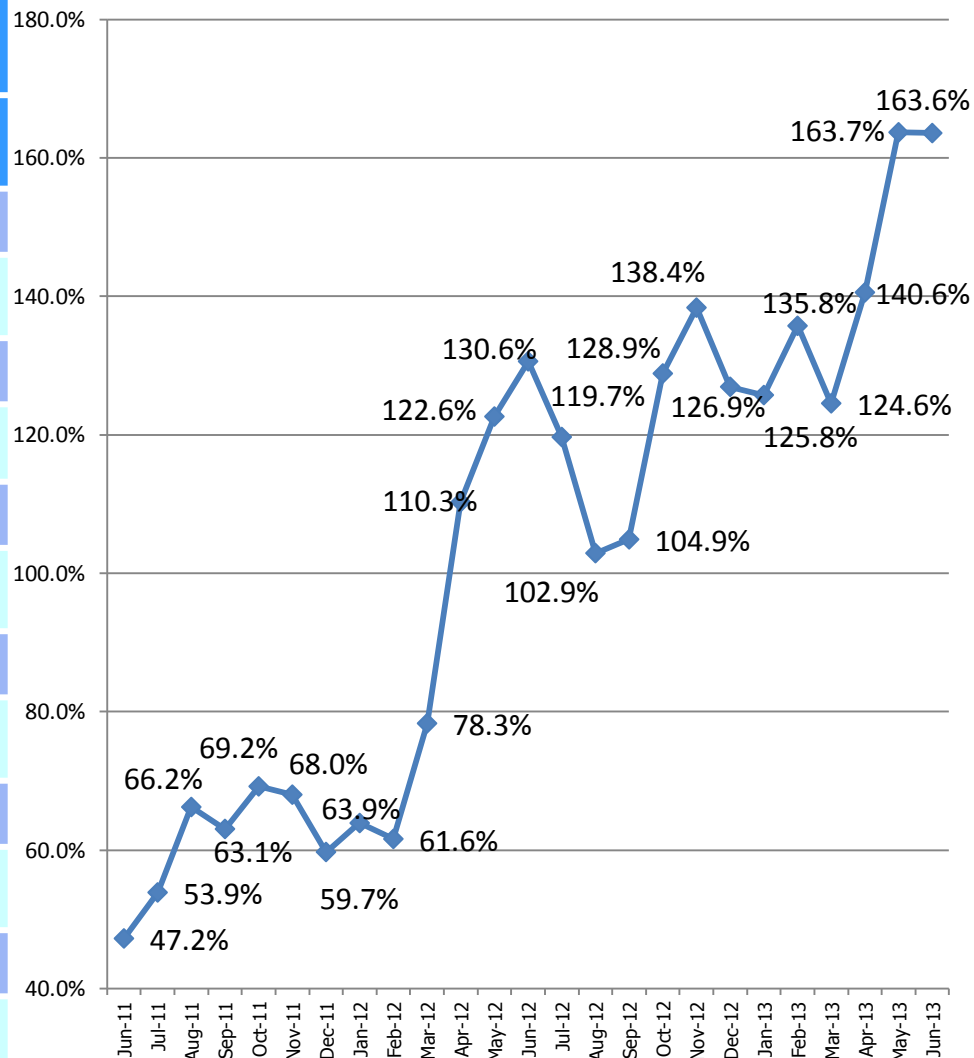


# Village Vanguard Webbed - Results

(Thousand Yen)

PL	FY05/13	FY05/14			
	Q4 (Actual)	Q1 (Plan)	Q2 (Plan)	Q3 (Plan)	Q4 (Plan)
Sales	134,934	41,361	108,421	221,188	343,603
Vs. Plan (%) (Difference)	129.5 (+30,756)	—	—	—	—
GP	32,059	9,978	28,655	56,908	95,373
Vs. Plan (%) (Difference)	134.2 (+8,171)	—	—	—	—
SG&A	20,422	7,997	17,999	31,180	44,781
Vs. Plan (%) (Difference)	98.2 (-374)	—	—	—	—
OP	11,637	1,981	10,655	25,728	50,591
Vs. Plan (%) (Difference)	376.6 (+8,546)	—	—	—	—
RP	9,965	1,680	10,031	24,966	49,917
Vs. Plan (%) (Difference)	583.2 (+8,256)	—	—	—	—
Net Income	7,062	975	5,826	14,499	28,990
Vs. Plan (%) (Difference)	449.4 (+5,491)	—	—	—	—

■ Sales YoY (Order Value Basis)



↑ Figures in parentheses are difference from plan.

# Overseas Subsidiaries

## 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 "Exciting Bookstore"
- Headquarters: Room 1901, 19/F, Entrepot Centre, 117 How Ming Street,  
Kwun Tong, Kowloon
- Representative: Ho Wing Pong Raymond
- Established: September 2009
- Capital: HK\$15,000,000 (approx. 190,000,000 yen)
- No. of stores: 6 (directly managed) (as of end-May 2013)
- No. of employees: 19 full-time employees  
19 part-time workers



Ho Wing Pong RAYMOND

# Village Vanguard (Hong Kong) Limited



## PL

## Store Locations

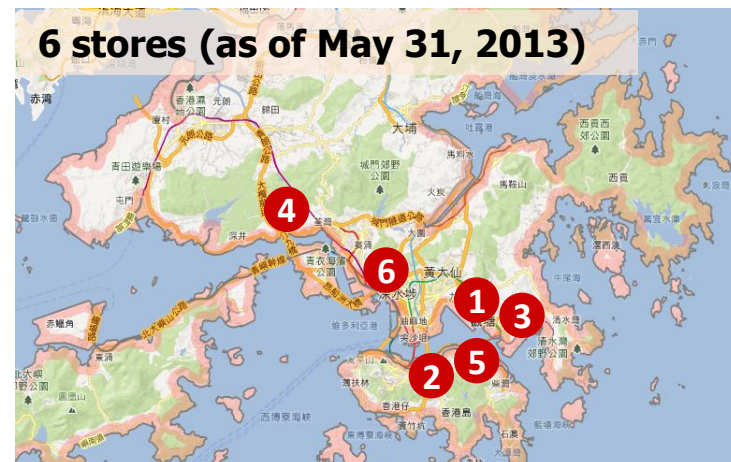
(Thousand Yen)

### FY05/13 Results

### FY05/14 Plan

	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	27	69	127	178	47	107	205	297
Vs. Plan	-4	+9	+20	+37	-	-	-	-
YoY Change	-2	+17	+42	+69	+20	+38	+78	+118
GP	11	4	25	24	19	43	65	77
Vs. Plan	-1	-18	+5	-8	-	-	-	-
YoY Change	-2	-14	-7	-12	+8	+38	+40	+52
OP	-4	-35	-45	-82	-11	-24	-44	-73
Vs. Plan	+0	-24	-6	-40	-	-	-	-
YoY Change	+8	-12	-17	-42	-7	+10	+1	+8
RP	-3	-32	-41	-75	-9	-20	-37	-64
Vs. Plan	+0	-23	-5	-37	-	-	-	-
YoY Change	+1	-10	-13	-37	-6	+12	+4	+11
Net Income	-3	-32	-41	-78	-9	-20	-37	-64
Vs. Plan	+0	-23	-6	-41	-	-	-	-
YoY Change	+1	-10	-14	-39	-6	+12	+4	+14

## 6 stores (as of May 31, 2013)



## Store Interiors



Amounts for FY05/13 Q3 and Q4 Vs. Plan are in comparison with the revised plan.

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P.40



## 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: Room 1901, 19/F, Entrepot Centre, 117 How Ming Street, Kwun Tong, Kowloon
- Representative: Hitoshi Kinami
- Founded: April 2012
- Capital: HK\$1,000,000 (approx. 10,000,000 yen)
- No. of stores: 3 directly managed stores
- No. of employees: 10 full-time / 2 part-time employees

**Opening of  
3<sup>rd</sup> Hong Kong Titicaca store:  
Sha Tin New Town**





# TITICACA HONG KONG LIMITED



## Results

(Thousand Yen)

	FY05/13 (Actual)				FY05/14 (Plan)			
	Q1 (Actual)	Q2 (Actual)	Q3 (Actual)	Q4 (Actual)	Q1 (Plan)	Q2 (Plan)	Q3 (Plan)	Q4 (Plan)
<b>Net Sales</b>	3,775	18,249	55,540	91,610	45,069	119,665	205,990	285,154
<b>Vs. Plan</b>	188.8%	228.1%	183.6%	216.8%	-	-	-	-
YoY (%)	-	-	-	-	1193.9%	655.7%	370.9%	311.3%
<b>GP</b>	2,182	10,879	33,327	52,438	29,160	71,257	123,977	175,490
<b>Vs. Plan</b>	170.7%	212.8%	179.7%	200.0%	-	-	-	-
YoY (%)	-	-	-	-	1336%	655%	372%	335%
<b>OP</b>	-4,005	-6,300	▲205	-4,450	-3,169	-3,016	1,566	2,213
<b>Vs. Plan</b>	-	-	-	-	-	-	-	-
YoY (%)	-	-	-	-	-	-	-	-
<b>RP</b>	-4,023	-6,446	▲510	-4,956	-3,239	-3,157	1,356	1,932
<b>Vs. Plan</b>	-	-	-	-	-	-	-	-
YoY (%)	-	-	-	-	-	-	-	-
<b>Net Income</b>	-4,023	-6,446	-510	-4,956	-3,239	-3,157	1,356	1,932
<b>Vs. Plan</b>	-	-	-	-	-	-	-	-
YoY (%)	-	-	-	-	-	-	-	-

## Inside Stores



## 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
- Founded: May 2012
- Capital: 25,000,000 TWD (approx. 70,000,000 yen)
- No. of stores: 1 directly managed store
- No. of employees: 2 full-time employees  
6 part-time employees



Store manager Tateyama (right),  
Assistant store manager Tata (left)

# Results

(Thousand Yen)	FY05/13 Results				FY05/14 Plan			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	2	8	16	23	7	15	25	32
Vs. Plan	-1	-0	-3	-7	-	-	-	-
YoY	-	-	-	-	+5	+7	+9	+9
GP	0	-2	0	2	3	6	9	12
Vs. Plan	-0	-0	-2	-4	-	-	-	-
YoY	-	-	-	-	+2	+8	+9	+10
OP	-10	-20	-28	-35	-3	-7	-10	-14
Vs. Plan	-0	-5	-5	-9	-	-	-	-
YoY	-	-	-	-	+6	+12	+17	+20
RP	-10	-20	-28	-35	-3	-7	-10	-14
Vs. Plan	-0	-5	-5	-9	-	-	-	-
YoY	-	-	-	-	+6	+12	+17	+20
Net Income	-10	-20	-28	-35	-3	-7	-10	-14
Vs. Plan	-0	-5	5	-9	-	-	-	-
YoY	-	-	-	-	+8	+12	+17	+20

Amounts for Q3 and Q4 FY05/13 Vs. Plan are in comparison with the revised plan.

# Inside Store



# Store Location



