

**2nd Quarter of FY05/10
Results Meeting
Presentation**

VILLAGE/VANGUARD
EXCITING BOOK STORE

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 (Million Yen)	Cons.Act. FY05/09				Cons.Act. FY05/10				Cons.Est.
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Sales	7,343	7,462	10,739	7,682	8,630	8,273	10,352	10,385	
SG&A	2,270	2,723	2,798	2,831	2,799	2,879	3,148	3,301	
Labor	995	1,094	1,150	1,198	1,248	1,246	1,438	1,380	
Rent	632	650	833	752	753	732	817	850	
Depreciation	69	95	108	113	102	108	131	134	
Operating Profit	731	374	1,151	866	799	548	1,136	998	
Recurring Profit	753	391	1,164	863	814	561	1,118	1,026	
Net Profit	414	214	605	468	462	299	644	571	
Sales YoY	16.2%	21.5%	35.6%	5.3%	17.5%	10.9%	-3.6%	35.2%	
SG&A YoY	22.2%	33.5%	30.1%	28.9%	23.3%	5.7%	12.5%	16.6%	
Labor YoY	19.9%	23.9%	27.4%	30.2%	25.4%	13.9%	25.0%	15.2%	
Rent YoY	17.7%	22.0%	24.9%	19.9%	19.1%	12.6%	-1.9%	13.0%	
Depreciation YoY	-9.2%	69.6%	50.0%	41.3%	47.8%	13.7%	21.3%	18.6%	
Operating Profit YoY	8.0%	-31.8%	9.4%	23.2%	9.3%	46.5%	-1.3%	15.2%	
Recurring Profit YoY	9.4%	-30.8%	8.9%	20.0%	8.1%	43.5%	-4.0%	18.9%	
Net Profit YoY	8.4%	-30.5%	1.3%	148.9%	11.6%	39.7%	6.4%	22.0%	
Operating Profit Margin	10.0%	5.0%	10.7%	11.3%	9.3%	6.6%	11.0%	9.6%	
Recurring Profit Margin	10.3%	5.2%	10.8%	11.2%	9.4%	6.8%	10.8%	9.9%	
Net Profit Margin	5.6%	2.9%	5.6%	6.1%	5.4%	3.6%	6.2%	5.5%	

Balance Sheet (Million Yen)	Cons.Act. FY05/09				Cons.Act. FY05/10				Cons.Est.
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Cash & Deposit	2,750	2,387	3,011	3,078	2,685	2,957	2,677	3,436	
Inventories	11,340	13,711	13,881	14,131	15,003	15,928	15,889	16,384	
Other	2,421	2,372	2,225	2,486	2,601	2,345	2,458	2,607	
Current Assets	16,512	18,470	19,119	19,695	20,290	21,231	21,025	22,428	
Fixed Assets	3,299	4,218	4,227	4,383	4,440	4,519	4,329	4,455	
Total Assets	19,812	22,688	23,347	24,076	24,731	25,750	25,342	26,884	
Current Liabilities	6,586	8,361	6,933	7,525	8,053	8,214	7,305	8,587	
Fixed Liabilities	2,068	2,955	4,436	4,108	3,824	4,382	4,240	3,929	
Total Liabilities	8,654	11,316	11,369	11,633	11,877	12,596	11,545	12,516	
Shareholders' Equity	11,157	11,372	11,976	12,445	12,853	13,153	13,796	14,367	

Cash Flow Statement (Million Yen)	Cons.Act. FY05/09				Cons.Act. FY05/10				Cons.Est.
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Operating Cash Flow	-419	-533	-1,758	-735	-292	-146	-724	1,133	
Change in Inventories	-412	-2,783	-2,953	-3,203	-872	-1,796	-1,757	-2,253	
Other	-6	2,250	1,194	2,467	579	1,650	1,033	3,386	
Investment Cash Flow	-239	-1,182	-1,497	-1,803	-186	-475	-454	-737	
Change in Fixed Assets	-127	-798	-947	-1,166	-104	-212	-267	-388	
Change in Other Assets	-112	-383	-550	-636	-82	-262	-186	-349	
Financing Cash Flow	422	1,119	3,284	2,633	86	503	777	-38	
Operating CF + Investment CF	-658	-1,715	-3,255	-2,538	-478	-621	-1,178	396	

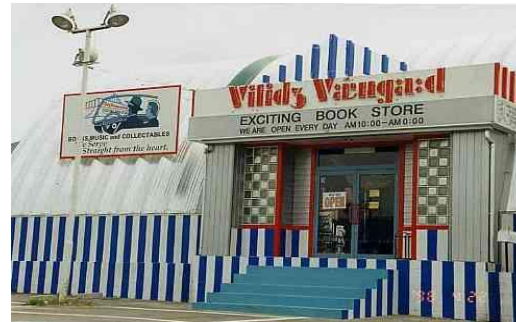
Parent Company

Village Vanguard Corporation K.K.

What We Do



■ Village Vanguard



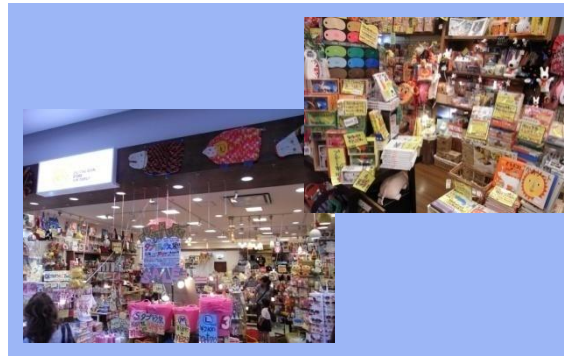
■ Diner

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)



A store manager built this Gundam Suit in his free time! He is actually inside there!



We delegate both purchasing and sales decisions to the store level

Marketing

Purchasing

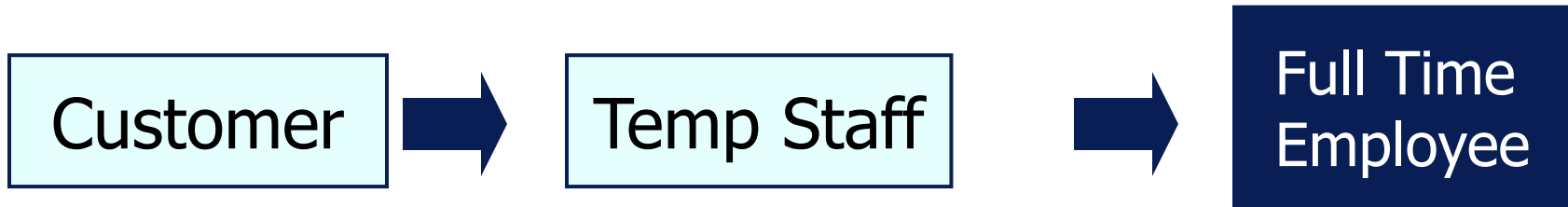
Store Merchandising and Display

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)

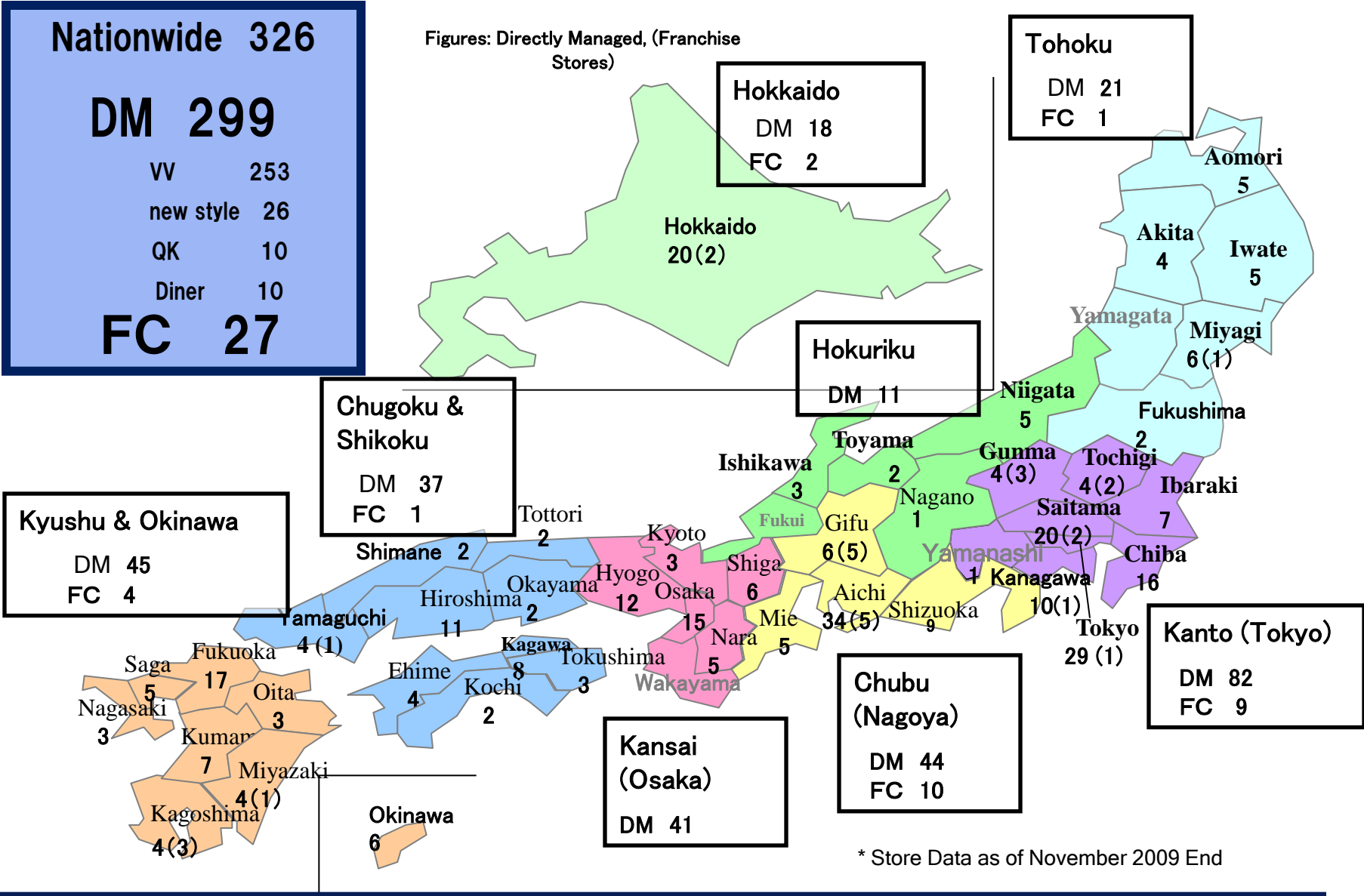
Nationwide 326

DM 299

VV 253
 new style 26
 QK 10
 Diner 10

FC 27

Figures: Directly Managed, (Franchise Stores)



* Store Data as of November 2009 End

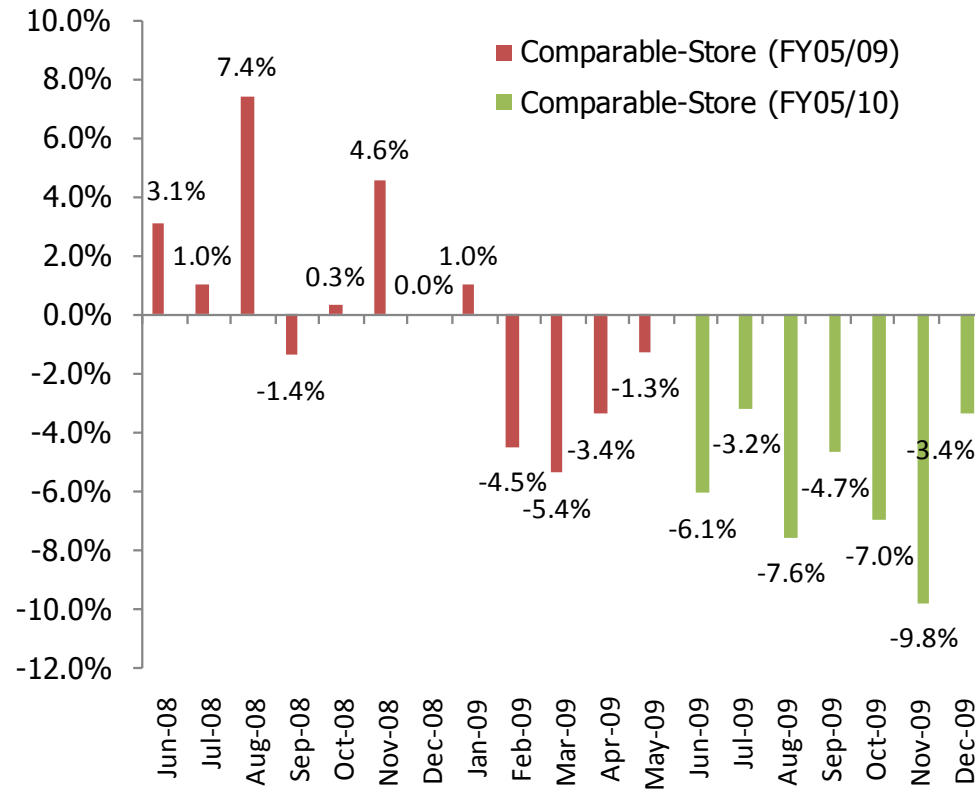
Parent Income Statement



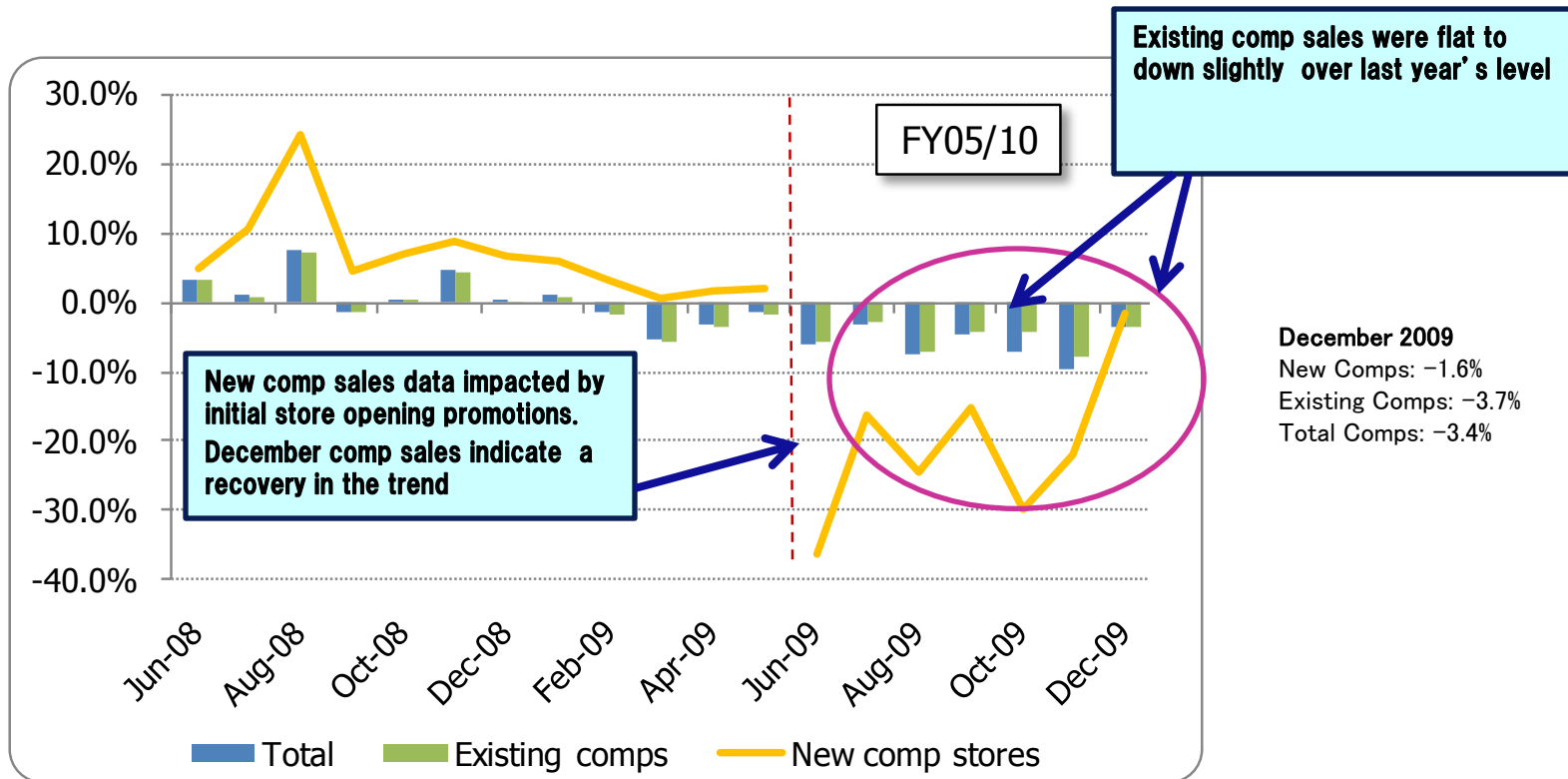
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Recurring Profit Margin	10.3%	5.2%	10.8%	11.2%	9.4%	6.8%	10.8%	9.9%	
Net Profit Margin	5.6%	2.9%	5.6%	6.1%	5.4%	3.6%	6.2%	5.5%	
Versus plan									
Sales				103.1%	101.0%	99.8%			
SG&A				98.0%	100.9%	98.1%			
Operating Profit				166.9%	104.2%	105.6%			
Recurring Profit				167.4%	105.0%	108.1%			
Net Income				180.1%	106.0%	100.7%			

Source: Company Data Processed by SR Inc.

Comparable Store Sales



Comparable Store Sales Analysis



New comp stores – stores which were included in the comparable store data since the start of the fiscal year

Existing comps – 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

Category Sales

Sales by Category (Million Yen)	FY05/08				FY05/09				FY05/10			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
SPICE (Parent)	4,304	4,077	5,546	5,011	5,109	5,243	7,102	6,310	6,193	5,926		
Books (Parent)	1,025	988	1,118	1,044	1,038	1,041	1,171	1,087	1,045	997		
NW (Parent)	673	743	914	898	810	723	997	801	844	664		
Other (Parent)	115	120	137	144	139	135	168	199	189	238		
Sales	6,117	5,928	7,715	7,097	7,096	7,142	9,438	8,397	8,271	7,825		
Composition												
SPICE (Parent)	70.4%	68.8%	71.9%	70.6%	72.0%	73.4%	75.2%	75.1%	74.9%	75.7%		
Books (Parent)	16.8%	16.7%	14.5%	14.7%	14.6%	14.6%	12.4%	12.9%	12.6%	12.7%		
NW (Parent)	11.0%	12.5%	11.8%	12.7%	11.4%	10.1%	10.6%	9.5%	10.2%	8.5%		
Other (Parent)	1.9%	2.0%	1.8%	2.0%	2.0%	1.9%	1.8%	2.4%	2.3%	3.0%		

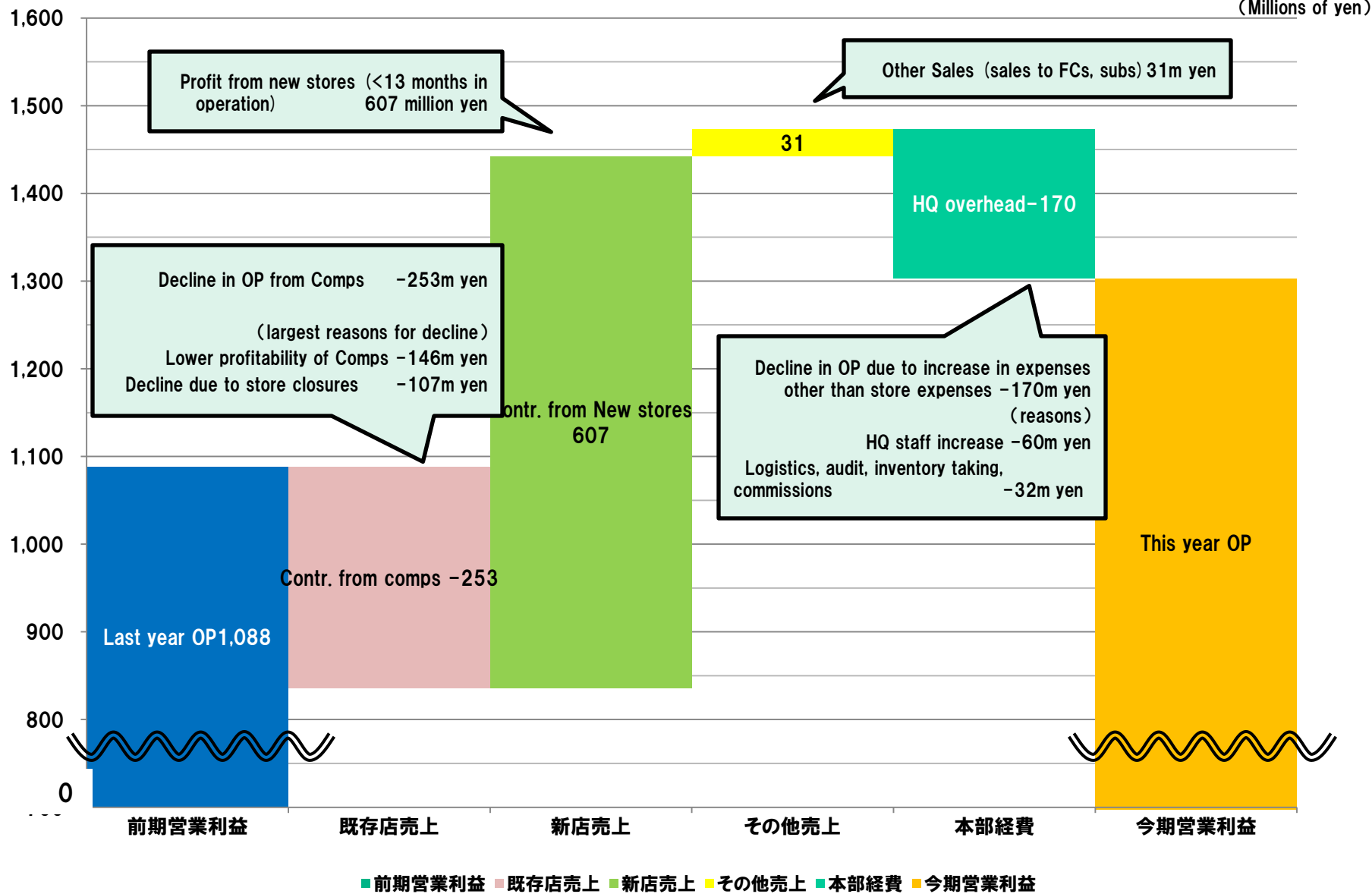
Store Age Analysis (Directly Managed Stores)	6+	5	4	3	2	<1
Number of Stores *	102	38	44	23	46	46
Stores with record sales **	17	13	19	10	17	-
YoY Sales (%)	-8.1%	-1.3%	-4.6%	-2.1%	-12.9%	-

*excluding online and closed stores

** monthly stores with all-time high sales as of Dec. 2009

OP Analysis

(Millions of yen)



Openings

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	5	12
Total New Openings	27	71	26	18	44
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

Strengthening Imported Merchandise

Problem Could not source enough imported merchandise (normally high GPM) – GPMs for HQ sourcing team merchandise contracted.

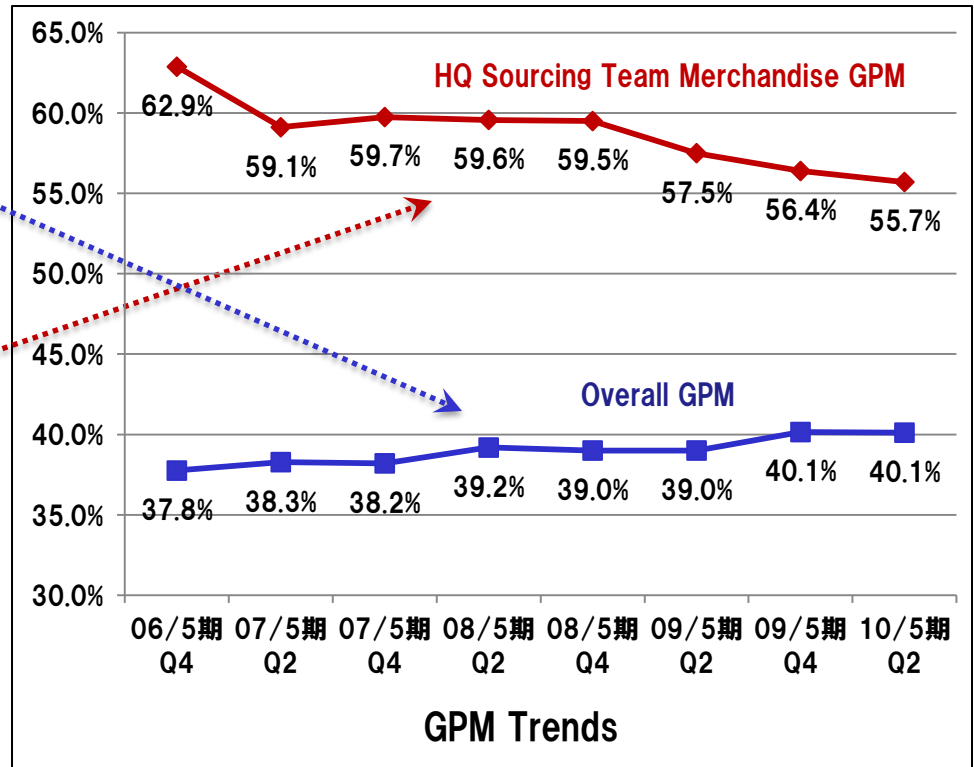
Overall gross profitability continues rising...
 Due to more items sold by the HQ sourcing team; those are relatively high margin



Gross profitability of items sold by HQ sourcing team continues to fall...
 Due to inability to source enough imported items which are higher margin



Will attempt to grow overall gross profitability further by pursuing both 'internal (HQ) sourcing' and 'margin improvement'



Note: GPM data only reflects retail sales, Diner and FC not included.

Solution

Increase the ratio of procurement and sales of imported items – drive GPM higher

Inventory Control

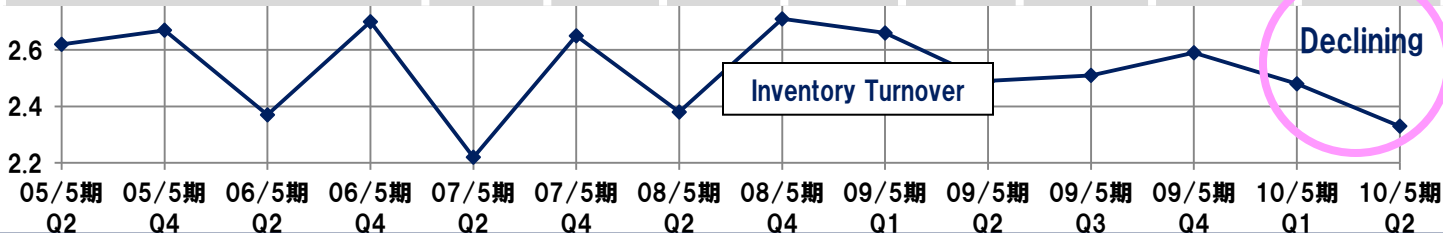
(Millions of yen)

Existing Store

Inventory Trends

Inventory Turnover

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



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

Consolidated Subsidiary



Achieved RP targets – fewer stores opened, lower expenses.

Titicaca Subsidiary								
Income Statement								
(Million Yen)								
	FY05/09				FY05/10			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	251	322	306	299	361	474	482	460
Operating Profit	10	26	7	-7	23	55	5	1
Recurring Profit	8	21	5	-9	20	50	0	-3
Net Profit	8	20	3	-40	18	48	4	-5
Sales YoY					43.8%	47.2%	57.5%	53.8%
Operating Profit YoY					130.0%	111.5%	-28.6%	-114.3%
Recurring Profit YoY					150.0%	138.1%	-100.0%	-66.7%
Net Profit YoY					125.0%	140.0%	33.3%	-87.5%
Operating Profit Margins	4.0%	8.1%	2.3%	-2.3%	6.4%	11.6%	1.0%	0.2%
Recurring Profit Margins	3.2%	6.5%	1.6%	-3.0%	5.5%	10.5%	0.0%	-0.7%
Net Profit Margins	3.2%	6.2%	1.0%	-13.4%	5.0%	10.1%	0.8%	-1.1%
Sales vs Plan	100.0%	97.2%	96.4%	93.5%	96.8%	97.3%		
Operating Profit vs Plan	95.4%	119.7%	54.8%	-41.7%	116.9%	130.8%		
Recurring Profit vs Plan	90.6%	120.8%	46.9%	-74.1%	124.7%	136.2%		
Net Profit vs Plan	91.0%	113.2%	30.6%	-	118.3%	127.4%		

Comp Sales +1.2% (+6m yen) New Store Sales -12.5% (-43m yen)

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

Unconsolidated Subsidiary

Village Vanguard (Hong Kong) Limited

■ 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.
