

# Presentation of Results

for the Third Quarter  
of the Fiscal Year Ending March 31, 2005

**January 21, 2005**

**Backs Group, Inc.**



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## Results Highlights (1)

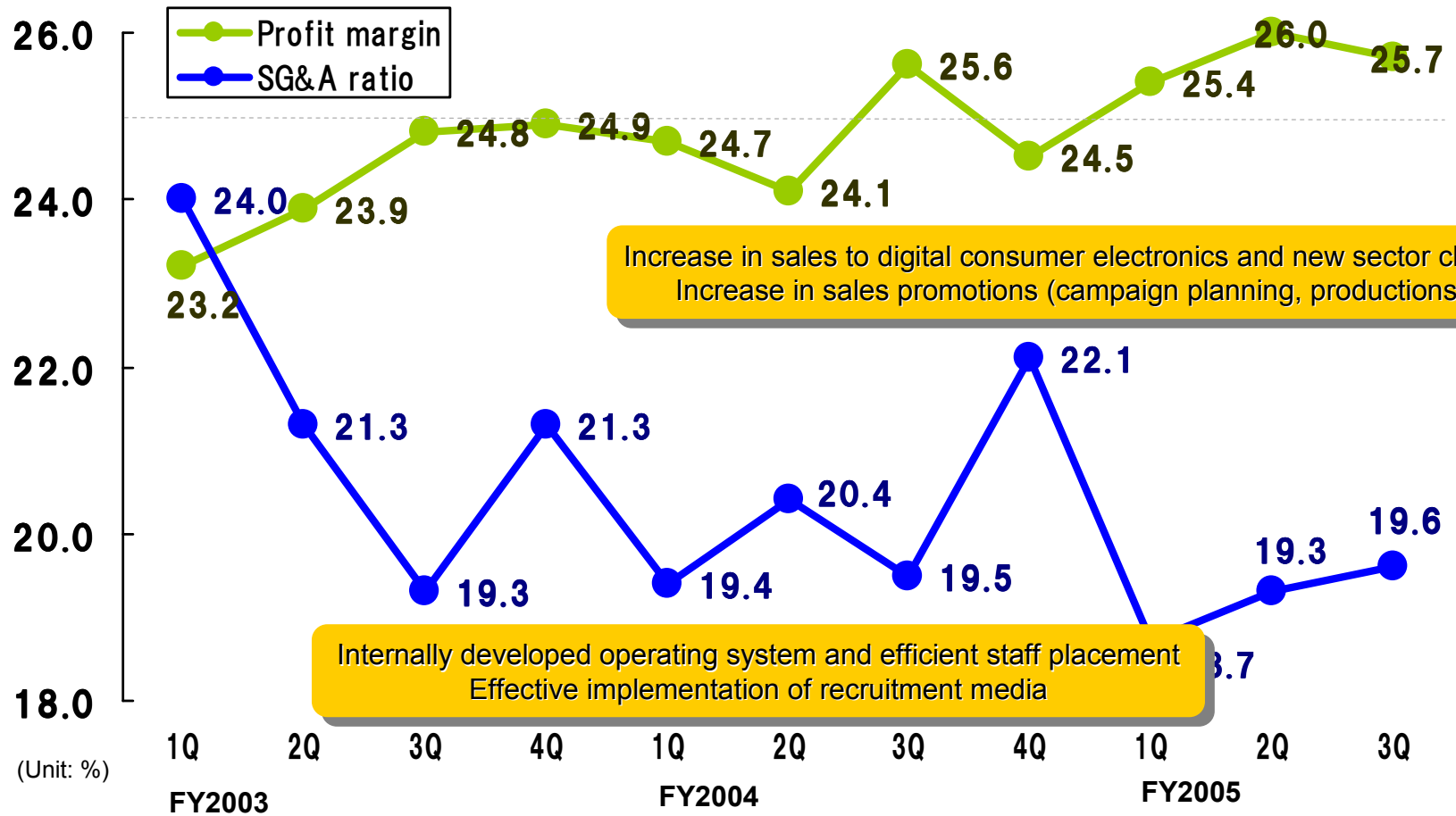
	FY2004 3Q	FY2005 3Q	Y on Y	Against FY2005
Net Sales	<b>3,885</b>	<b>5,107</b>	<b>+31.5%</b>	<b>71.7%</b>
Gross Profit	<b>963</b>	<b>1,312</b>	<b>+36.2%</b>	<b>72.8%</b>
(Gross profit margin)	<b>(24.8%)</b>	<b>(25.7%)</b>		
(SG&A ratio)	<b>(19.8%)</b>	<b>(19.2%)</b>		
Operating Income	<b>195</b>	<b>331</b>	<b>+69.5%</b>	<b>67.8%</b>
(Operating income margin)	<b>(5.0%)</b>	<b>(6.5%)</b>		
Ordinary Income	<b>194</b>	<b>327</b>	<b>+68.5%</b>	<b>68.1%</b>
Net Income	<b>122</b>	<b>176</b>	<b>+43.2%</b>	<b>63.9%</b>

【Unit: Millions of yen】



# Profitability – 1. Profit Margin and SG&A Ratio

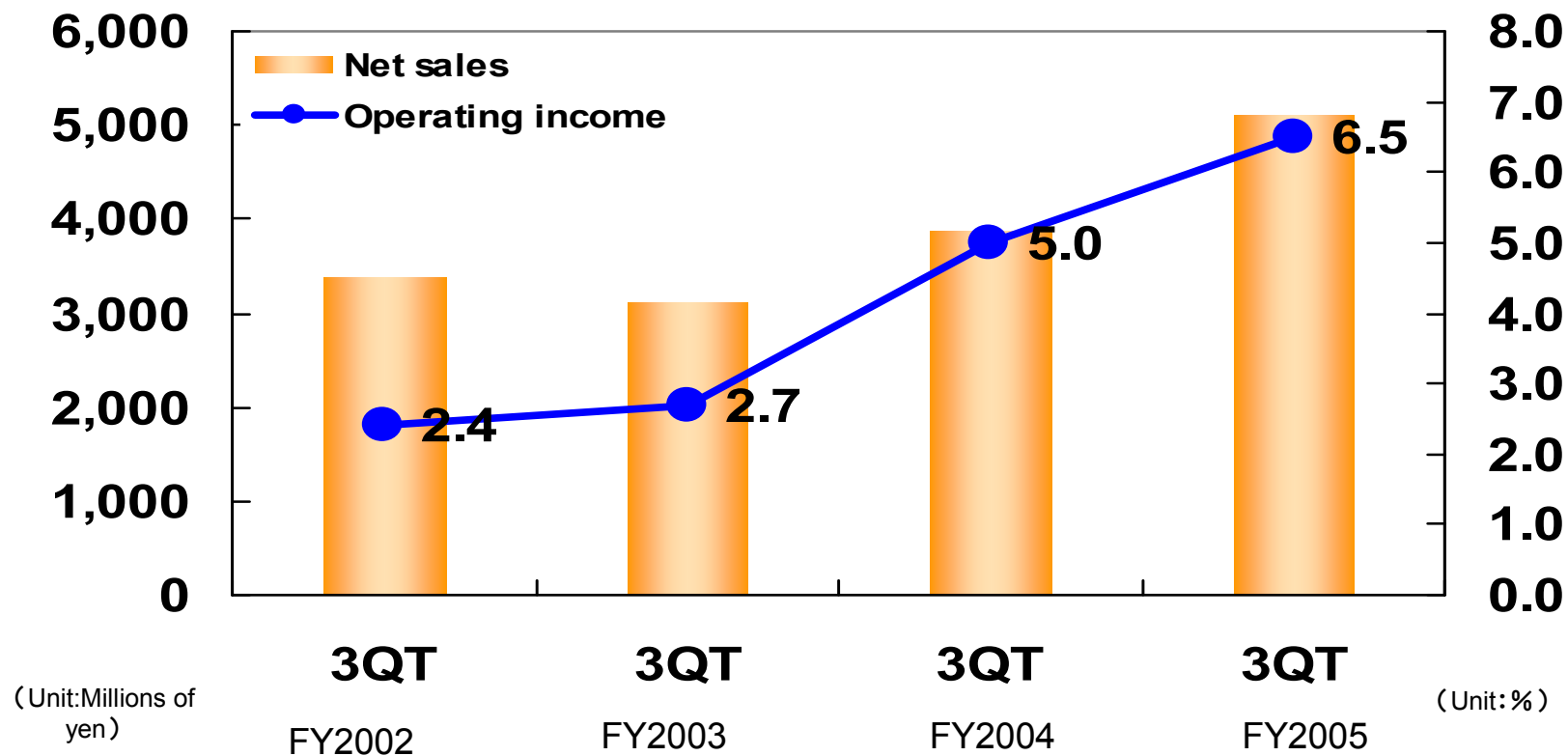
Establishing a management structure able to realize earnings increases



## Profitability – 2. Operating Income Margin

Continued focus on operational efficiency and cost management

Structure generating merit of scale firmly in place



## Results Highlights (2)

Sales by Customer Segment (Share)	FY2004 3Q	FY2005 3Q	Y on Y
Mobile telecommunications	<b>2,676</b> (68.9%)	<b>3,088</b> (60.5%)	<b>+15.4%</b>
Digital consumer electronics	<b>1,033</b> (26.6%)	<b>1,623</b> (31.8%)	<b>+57.1%</b>
New Sectors	<b>175</b> (4.5%)	<b>395</b> (7.7%)	<b>+125.1%</b>

【Unit: Millions of yen】

## Results Highlights (3)

Sales by Geographic Region (Share)	FY2004 3Q	FY2005 3Q	Y on Y
Kanto Region*	<b>2,862</b> (73.7%)	<b>3,333</b> (65.3%)	<b>+16.4%</b>
National (excluding Kanto)	<b>1,022</b> (26.3%)	<b>1,774</b> (34.7%)	<b>+73.5%</b>

\* Tokyo and surrounding prefectures of Kanagawa, Saitama, Chiba, Ibaraki, Tochigi, and Gunma.

【Unit: Millions of yen】

## Business Segment Overview

【Unit: Millions of yen】	FY2004 3Q	FY2005 3Q	Y on Y
<b>Outsourcing</b>			
Sales	<b>3,356</b>	<b>4,434</b>	<b>+32.1%</b>
(Share)	<b>(86.4%)</b>	<b>(86.8%)</b>	
Operating income	<b>261</b>	<b>365</b>	<b>+38.7%</b>
(Share)	<b>(7.8%)</b>	<b>(8.2%)</b>	
<b>Temporary Staffing</b>			
Sales	<b>528</b>	<b>672</b>	<b>+27.2%</b>
(Share)	<b>(13.6%)</b>	<b>(13.2%)</b>	
Operating income	<b>23</b>	<b>55</b>	<b>+138.4%</b>
(Share)	<b>(4.4%)</b>	<b>(8.2%)</b>	

## Outsourcing Business Overview

Sales by Customer Segment (Share)	FY2004 3Q	FY2005 3Q	Y on Y
Mobile telecommunications	<b>2,188</b> (65.2%)	<b>2,598</b> (58.6%)	<b>+18.7%</b>
Digital consumer electronics	<b>1,010</b> (30.1%)	<b>1,593</b> (35.9%)	<b>+57.8%</b>
New sectors	<b>155</b> (4.6%)	<b>242</b> (5.5%)	<b>+55.8%</b>

【Unit: Millions of yen】

## Temporary Staffing Business Overview

Sales by Customer Segment (Share)	FY2004 3Q	FY2005 3Q	Y on Y
Mobile telecommunications	<b>487</b> (91.8%)	<b>489</b> (72.8%)	<b>+0.6%</b>
Digital consumer electronics	<b>23</b> (4.4%)	<b>29</b> (4.4%)	<b>+27.1%</b>
New sectors	<b>20</b> (3.8%)	<b>153</b> (22.8%)	<b>+660.8%</b>

【Unit: Millions of yen】



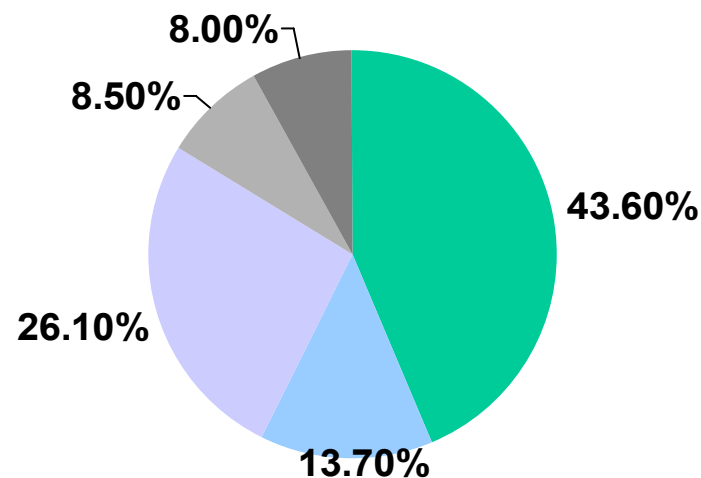
## New Businesses and Sectors Overview

Sales to New Businesses	FY2004 3Q	FY2005 3Q	Y on Y
Sales	175	395	+125.1%
( Share )	(4.5%)	(7.7%)	
No. of customers	50	112	+124.0%

Sales Breakdown (%)

【Unit: Millions of yen】

- Financial Services
- Alcohol Beverages
- Consumer Goods(Auto Accessories, Daily Items)
- Clothing Industry
- Others





# Sales by Major Business Sector

FY2003				
1	A	681	15.4%	
2	B	471	10.7%	
3	C	328	7.4%	
4	D	196	4.4%	
5	E	176	4.0%	
6	F	144	3.3%	
7	G	137	3.1%	
8	● A	99	2.2%	
9	● B	94	2.1%	
10	H	91	2.1%	
Top Ten Total		2,416	54.7%	
11	I	90	2.0%	
12	● C	86	1.9%	
13	J	77	1.7%	
14	● D	74	1.7%	
15	● E	73	1.7%	
16	K	72	1.6%	
17	L	70	1.6%	
18	M	68	1.5%	
19	● F	65	1.5%	
20	● G	60	1.4%	
Top Twenty Total		3,151	71.3%	
21	● H	59	1.3%	
22	N	58	1.3%	
23	O	58	1.3%	
24	P	57	1.3%	
25	● I	44	1.0%	
26	Q	39	0.9%	
27	R	38	0.9%	
28	● J	36	0.8%	
29	S	35	0.8%	
30	● K	32	0.7%	
Top Thirty Total		3,606	81.6%	
Others		812	18.4%	
FY2003 Total		4,419	100.0%	

FY2004				
1	A	1,256	23.4%	
2	B	533	9.9%	
3	E	275	5.1%	
4	D	194	3.6%	
5	● L	194	3.6%	
6	F	171	3.2%	
7	● F	157	2.9%	
8	● B	152	2.8%	
9	G	142	2.6%	
10	● C	139	2.6%	
Top Ten Total		3,212	59.8%	
11	H	111	2.1%	
12	● A	110	2.0%	
13	I	95	1.8%	
14	J	82	1.5%	
15	● H	81	1.5%	
16	● E	81	1.5%	
17	C	78	1.5%	
18	● M	75	1.4%	
19	● D	70	1.3%	
20	N	68	1.3%	
Top Twenty Total		4,063	75.7%	
21	● I	61	1.1%	
22	M	56	1.1%	
23	L	55	1.0%	
24	Q	53	1.0%	
25	S	49	0.9%	
26	● G	43	0.8%	
27	O	43	0.8%	
28	( A )	43	0.8%	
29	P	42	0.8%	
30	( B )	41	0.8%	
Top Thirty Total		4,548	84.7%	
others		821	15.3%	
FY2004 Total		5,370	100.0%	

FY2005 3Q					Change
1	A	1,295	25.5%		49.7%
2	● L	589	17.2%		7526.6%
3	B	418	7.7%		2.0%
4	● M	249	4.7%		637.8%
5	E	229	4.4%		9.7%
6	D	228	4.1%		65.5%
7	● B	163	2.8%		33.9%
8	G	142	2.5%		43.2%
9	H	141	2.2%		65.0%
10	F	123	1.9%		-0.8%
Top Ten Total		3,577	72.9%		53.9%
11	● N	65	1.0%		829.0%
12	S	54	1.0%		50.8%
13	● E	53	1.0%		-15.8%
14	● C	51	0.9%		-52.0%
15	(B)	50	1.0%		1407.6%
16	▲ B	47	0.9%		—
17	Q	46	0.9%		10.4%
18	N	45	0.8%		-12.9%
19	● O	44	0.7%		—
20	M	41	0.7%		-2.6%
Top Twenty Total		4,073	81.8%		38.9%
21	J	41	0.7%		—
22	◎	36	0.7%		39.0%
23	● P	34	0.7%		—
24	P	33	0.6%		12.1%
25	T	31	0.6%		13.2%
26	● Q	30	0.6%		—
27	C	30	0.5%		-57.3%
28	● R	25	0.5%		769.0%
29	● H	25	0.5%		-47.1%
30	L	25	0.4%		-39.8%
Top Thirty Total		4,383	87.5%		33.9%
その他		725	12.5%		19.5%
FY2005 3Q		5,108	100.0%		31.5%

Note: Business sectors are designated by color:

- (yellow) Computer and digital consumer electronics
- (clear) Mobile telecommunications
- (green) New business sectors or customers
- (Pink) Financial Services

【 Unit: yen 】



## Business Facts

No. of staff	FY2004 3Q	FY2005 3Q	Y on Y
Active staff (monthly average)	<b>2,100</b>	<b>2,847</b>	<b>+747</b>
Registered staff	<b>20,298</b>	<b>26,666</b>	<b>+6,368</b>
(Avg. sales amount per person)	<b>206</b>	<b>199</b>	
			【Unit:Persons】
Sales support activity	FY2004 3Q	FY2005 3Q	Y on Y
Total number of stores serviced	<b>3,472</b>	<b>5,129</b>	<b>+ 1,657</b>
			【Unit:Stores】

# Strategies – Progress Report



## Growth Strategies for FY 2005

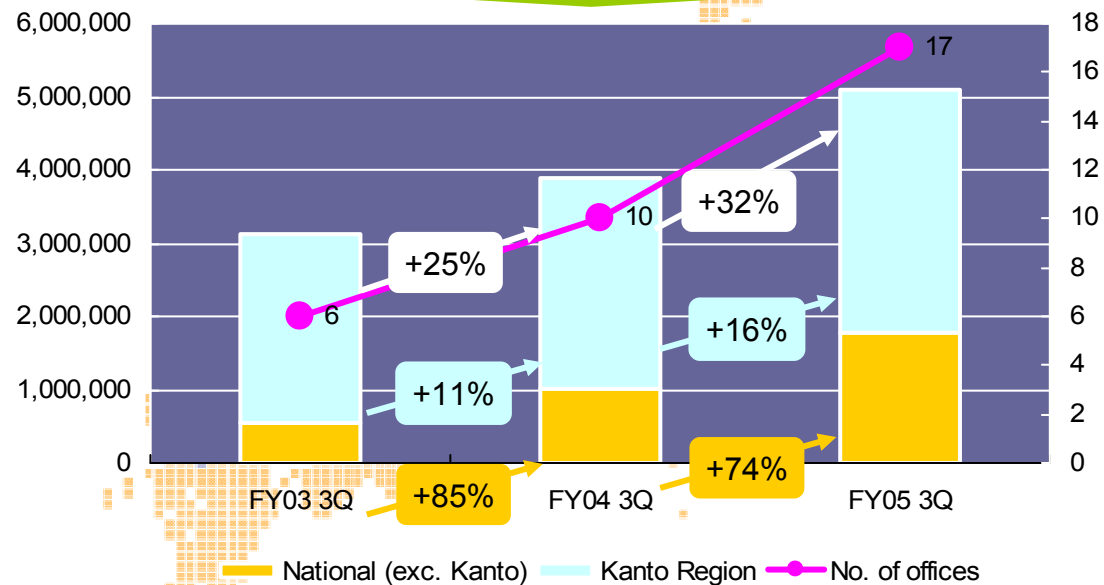
1. Increase number of office locations:  
50% growth, from 12 locations to 18
2. Strengthen the sales promotion business:  
Enhanced efforts to get orders for sales promotions from existing clients
3. Expand range of financial clients:  
Uncover latent needs other than signing up credit card users
4. Enter call center business:  
Follow-up service from time of sale

## Growth Strategy 1:

Increase number of locations by 50%, from 12 to 18

Nationwide network of business offices established (17 locations)

### Office expansion driving rise in sales



Development plan for FY 2006:

**Increase number of recruitment/operations centers**  
to strengthen supply capacity





## Growth Strategy 3: Expand range of financial clients

Positive response from financial clients,  
and growing demand for outsourcing

Major Clients



**Card subscriber  
promotion  
campaigns**

“A functioning sales space”

Operational expertise highly valued

Highly  
Valued  
Service

**Acquire full-time  
service line**

Cash card subscriber promotions

Loan reception counter operations

Focus on increasing demand to make finance a third pillar,  
alongside mobile telecommunications and digital consumer electronics

- ① Full-time service line permits shift to repeat business model
- ② Ability to fulfill nationwide orders opens possibilities for sales growth

## Growth Strategy 4: Enter the call center business

4Q: Proactive measures to tap demand from financial clients



Highly regarded for success of card promotion campaigns

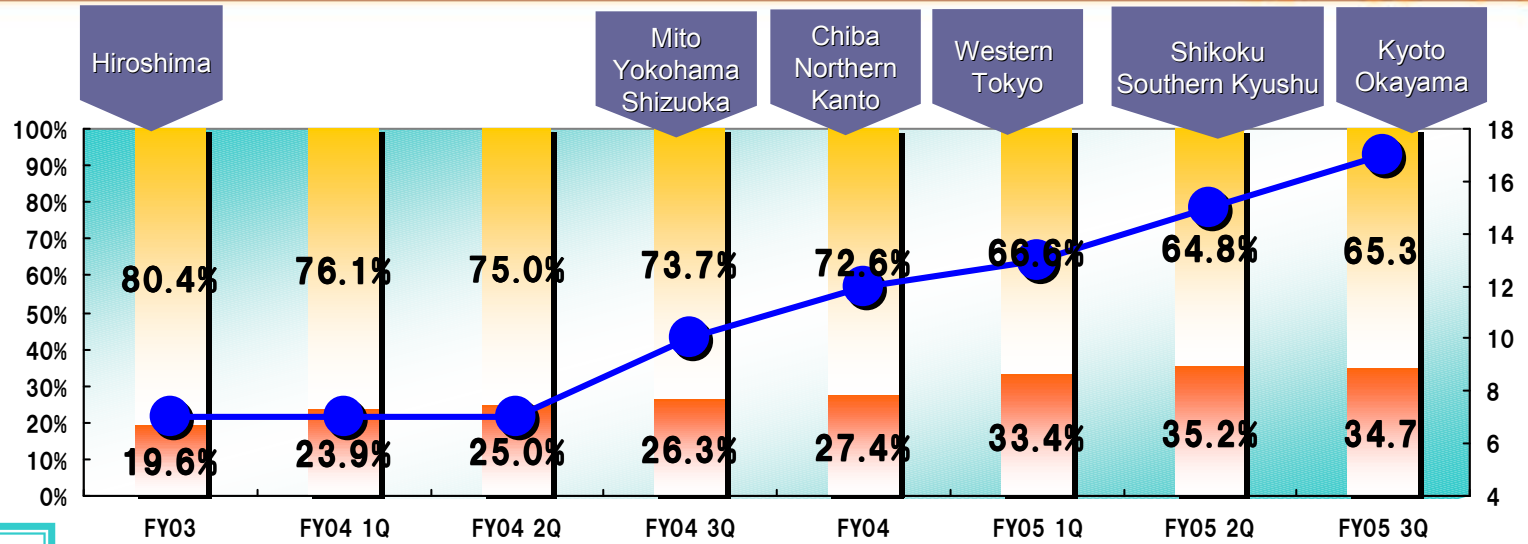
High level of trust in Backs Groups' "orange collar" staff

Next steps: Prepare to tap outsourcing demand,  
build operational expertise

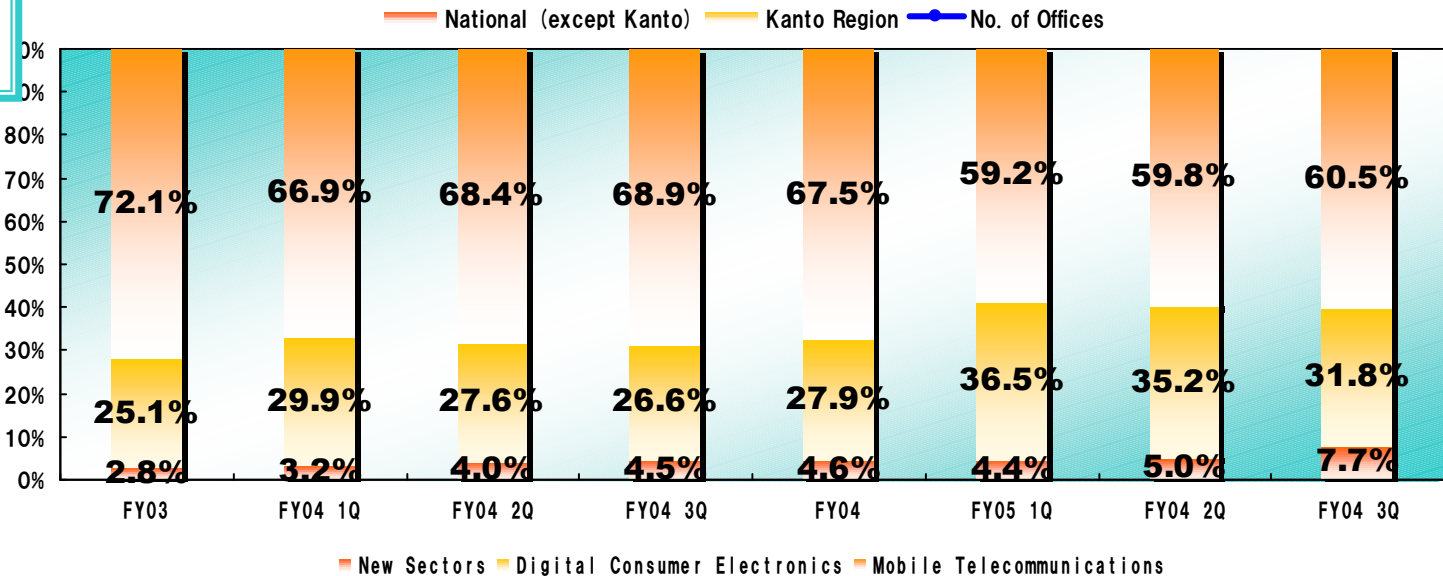


# Growth Strategy 1 Results: Sales by area and client industry

Sales by area  
【Unit: %】



Sales by client industry  
【Unit: %】

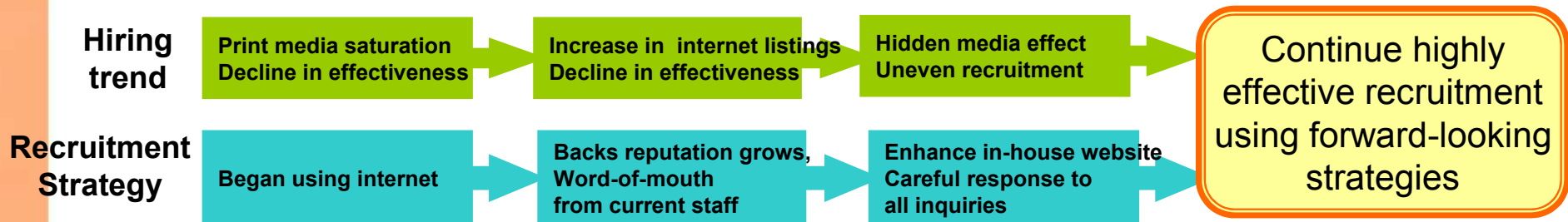
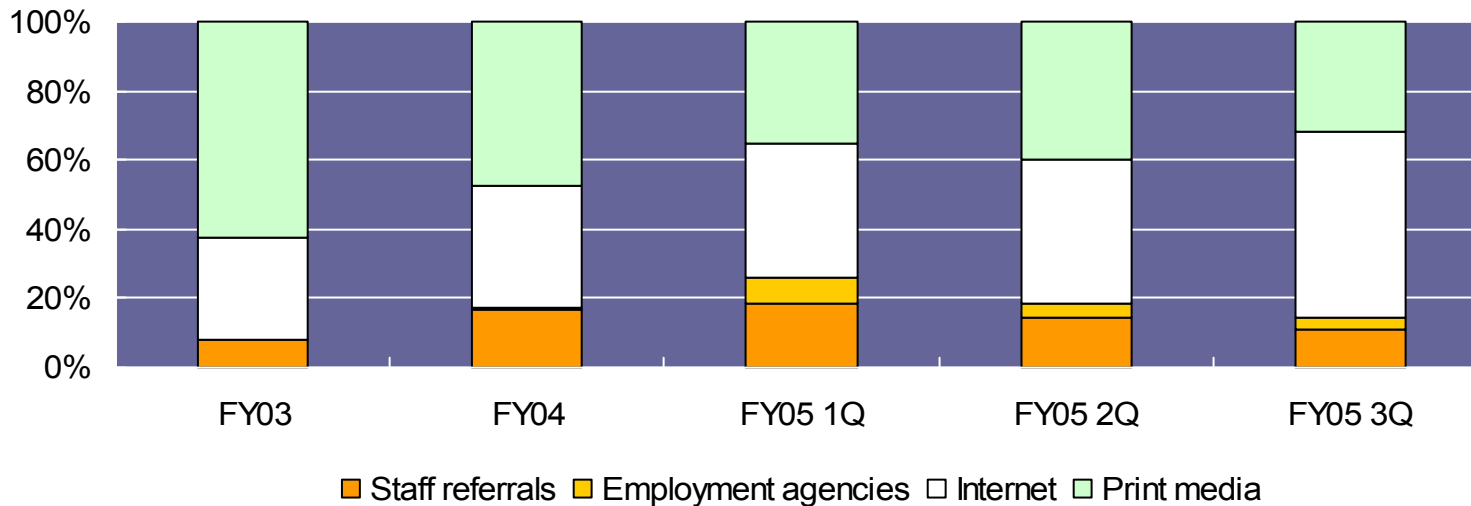


# “Orange Collar” Staff



# Staff Recruitment

Adopt recruitment strategies that anticipate hiring trends



Strengthen supply capacity to fill client demand

## Staff Training and Development

Many years of acquired expertise in training of “orange collar” staff

Helping to raise the employment rate for young people

Operating agreement with Tokyo Legal Mind K.K. (a private commission for employment development) to offer an “orange collar skills” training program and provide instructors

- Career vision guidance
- Communication skills
- Business manners
- Sales skills

Student internship system introduced

Work experience to gain skills for success, and learn the meaning of work

Began general recruitment through internet (also seminars and selections)

Actual experience as weekend staff

Raise general awareness of “orange collar” staff and corporate image

# Future of Backs Group



# Potential for Market Expansion

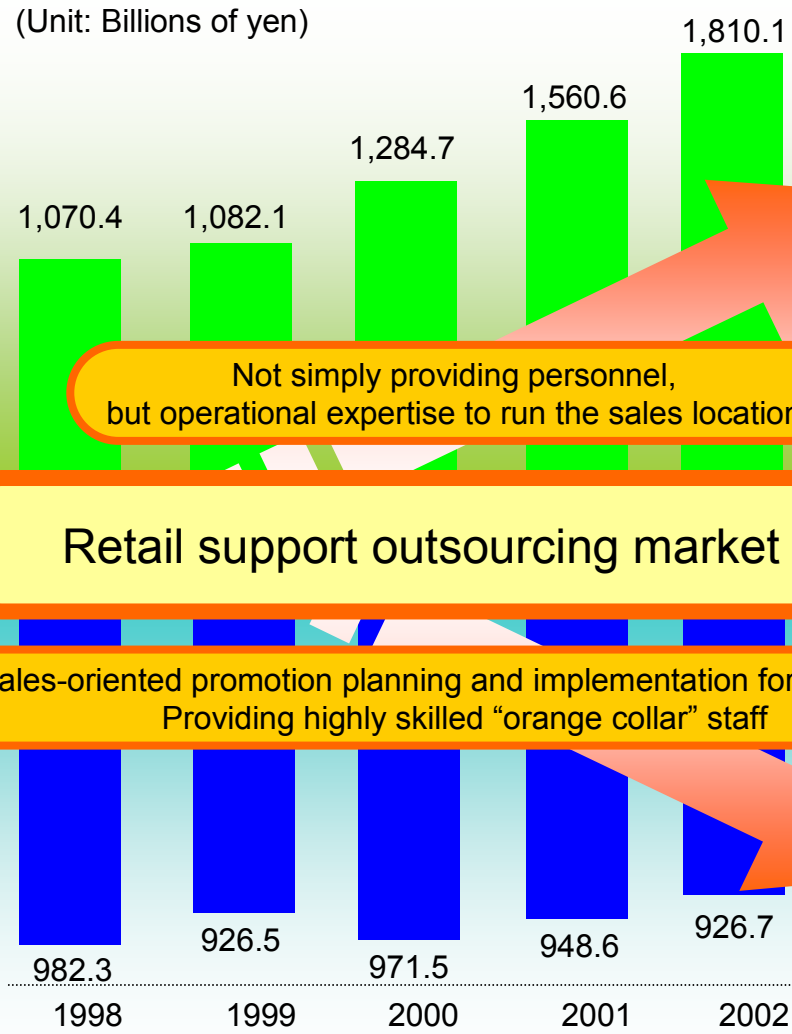
**Personnel business market**  
Provide personnel support service

Source: Estimate of business reports for labor dispatch in 2002 from Health, Labour and Welfare Ministry

**Retail support outsourcing**  
Personnel support service  
+  
Sales and promotions support

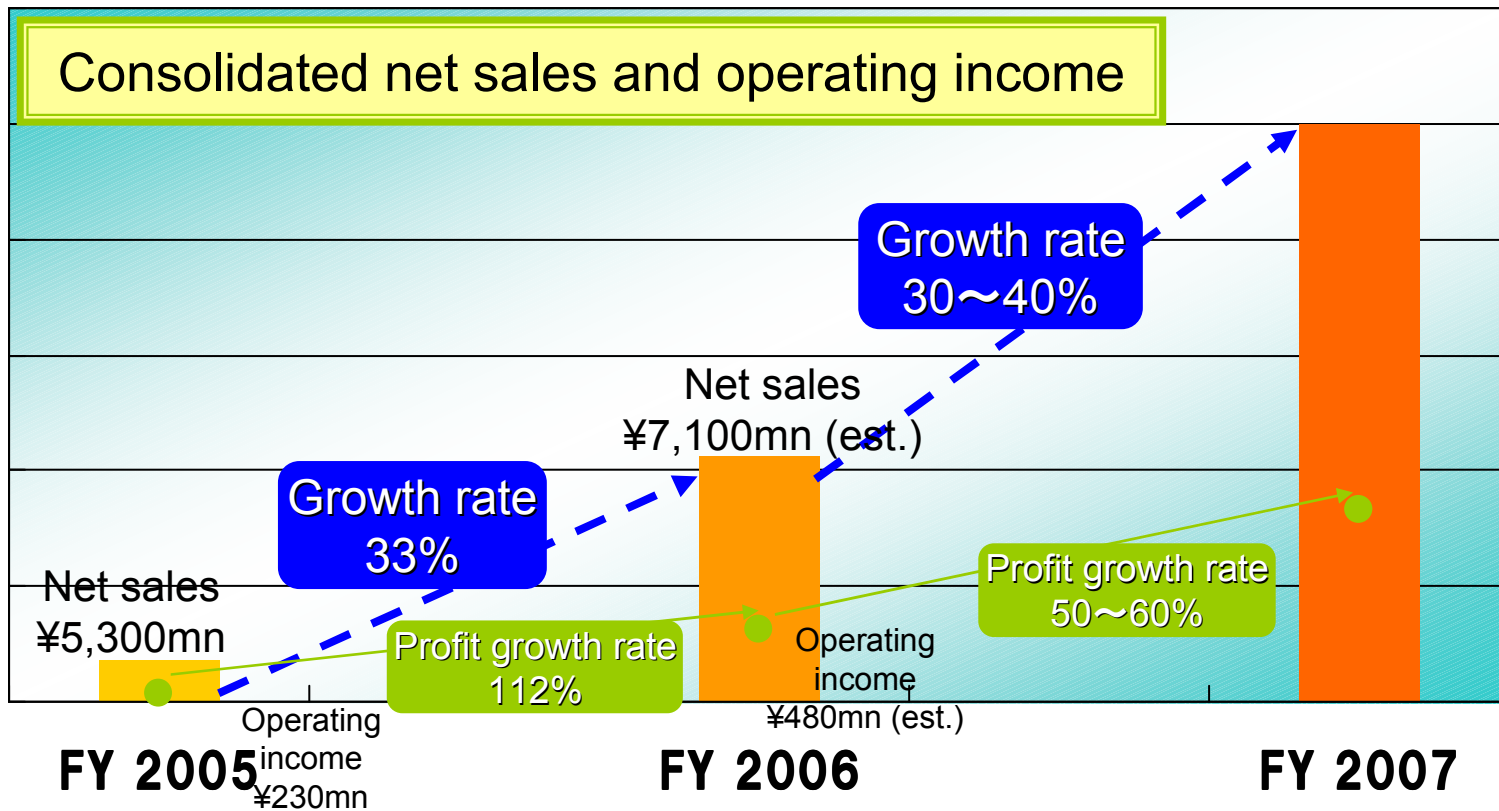
**Sales promotions market**  
Campaign planning and implementation

Source: Estimates for Japanese event market scale in 2002 compiled by Japan Association for Promotion of Creative Events



# Sales Targets

Backs Group strengths, management strategies and the external business environment all lead to greater possibilities for exposing need in all client industries



# Supplementary Material



## Revised Full-Year Forecasts for FY2005

	FY2004 Actual	FY2005 Revised Forecast	Y on Y	Against FY2005 Interim Forecast
Net Sales	<b>5,369</b>	<b>7,120</b>	<b>+32.6%</b>	<b>46.9%</b>
Gross Profit	<b>1,328</b>	<b>1,803</b>	<b>+35.8%</b>	<b>47.5%</b>
(Gross profit margin)	<b>(24.7%)</b>	<b>(25.3%)</b>		
Operating Income	<b>230</b>	<b>488</b>	<b>+111.5%</b>	<b>45.7%</b>
(Operating income margin)	<b>(4.3%)</b>	<b>(6.9%)</b>		
Ordinary Income	<b>226</b>	<b>480</b>	<b>+112.3%</b>	<b>45.4%</b>
Net Income	<b>133</b>	<b>275</b>	<b>+105.7%</b>	<b>44.4%</b>

【Unit: Millions of yen】

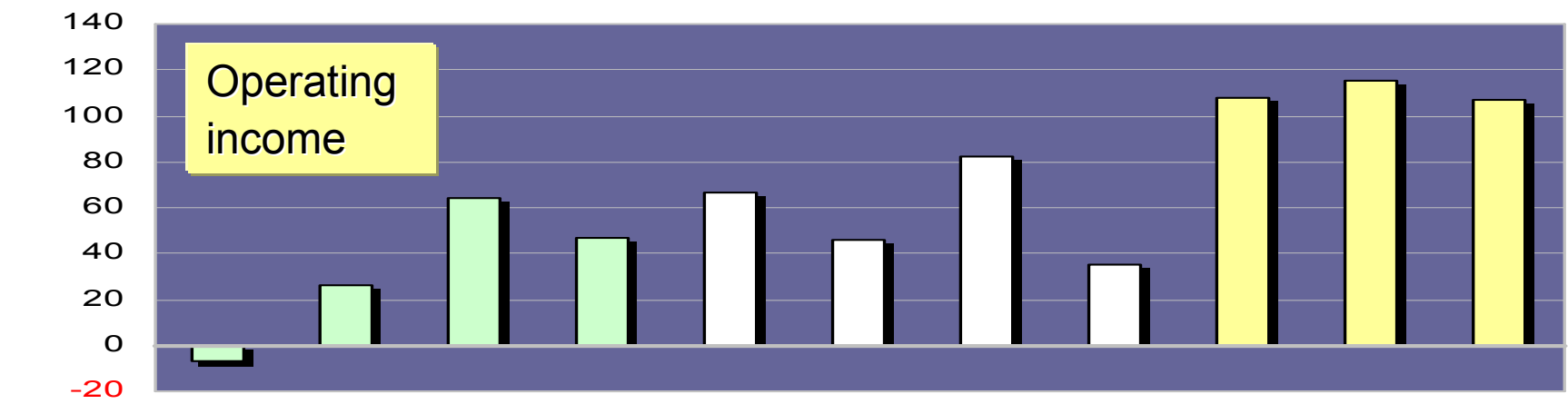
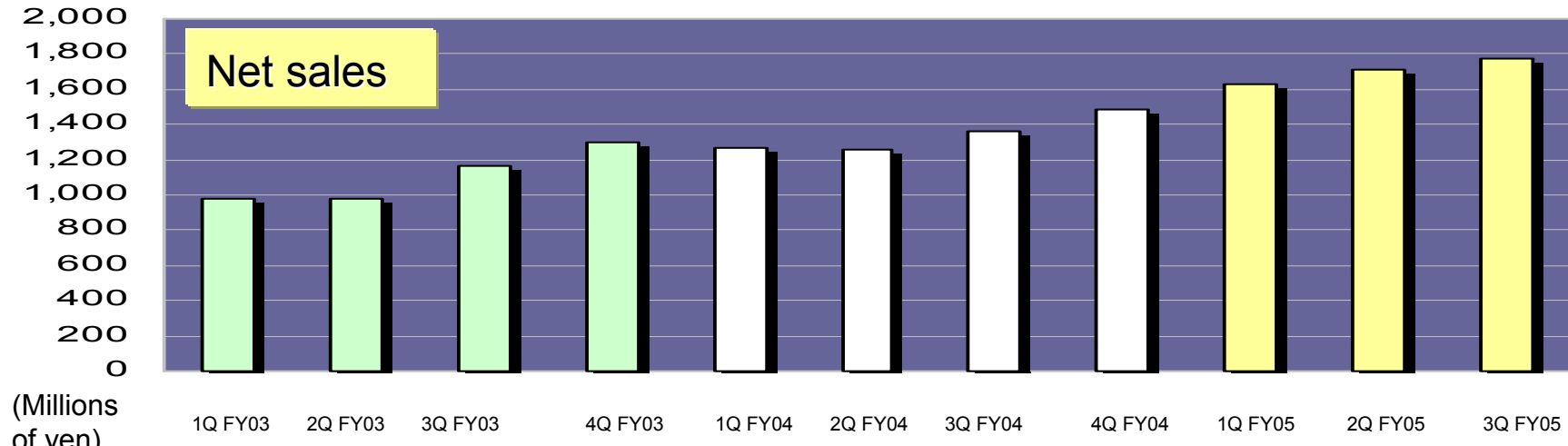
## Results Highlights (4)

Cash flows (abbreviated)	FY2004 3Q	FY2005 3Q	Y on Y	Main Factors
Cash flow from operating activities	74	102	+37.8%	Increase in quarterly net income before taxes and minority interests Increase in accounts receivable Income taxes paid
Cash flow from investing activities	-56	-69	+23.0%	Increase in expenditures for acquisition of property and equipment
Cash flow from financing activities	-25	33	+229.5%	Income from new share issue
Cash and cash equivalents at the end of the period	754	838	+11.1%	
Change in cash and cash equivalents	-8	+66		

【Unit:Millions of yen】

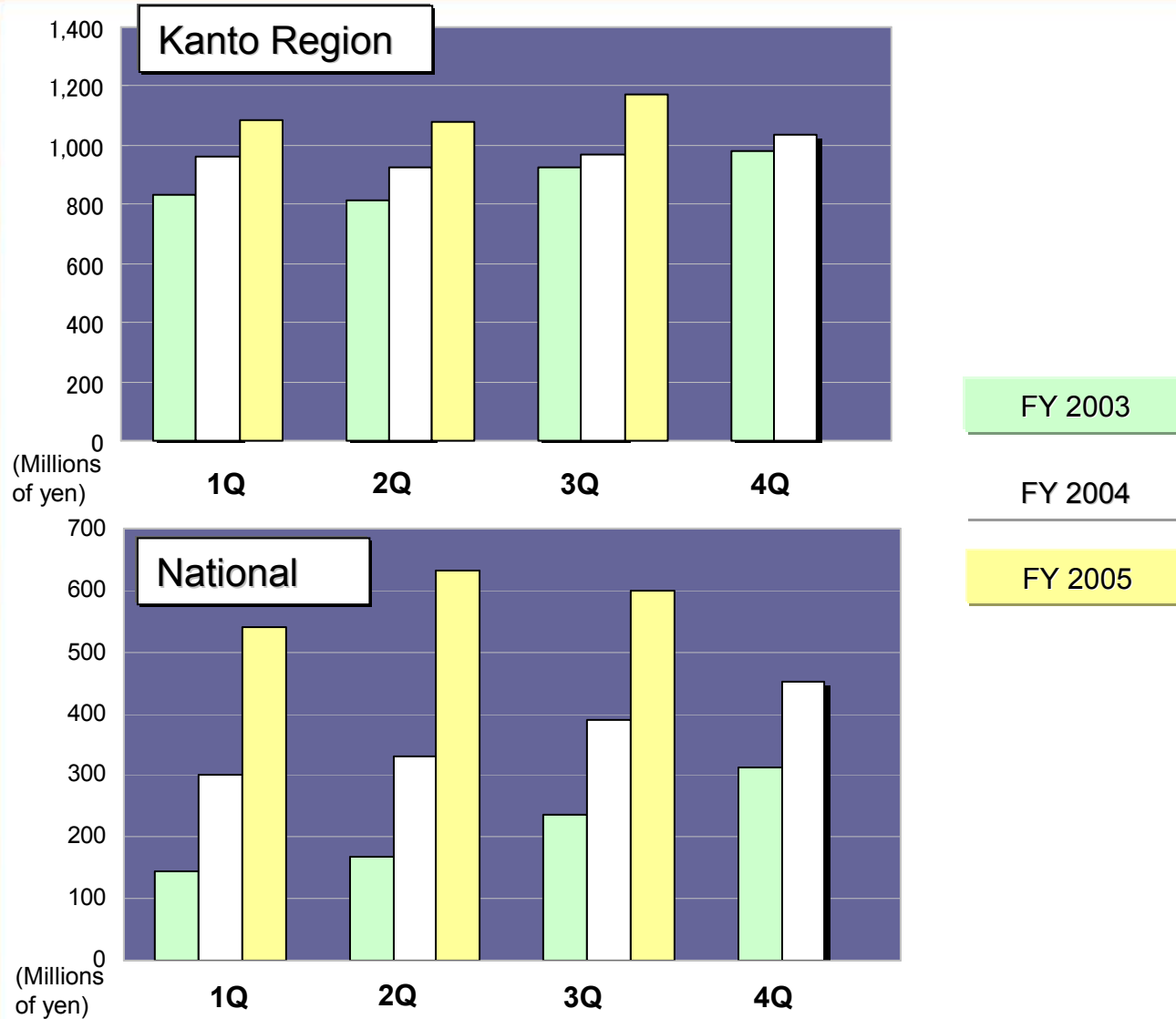
# Quarterly Net Sales and Operating Income

Both net sales and operating income on growth track

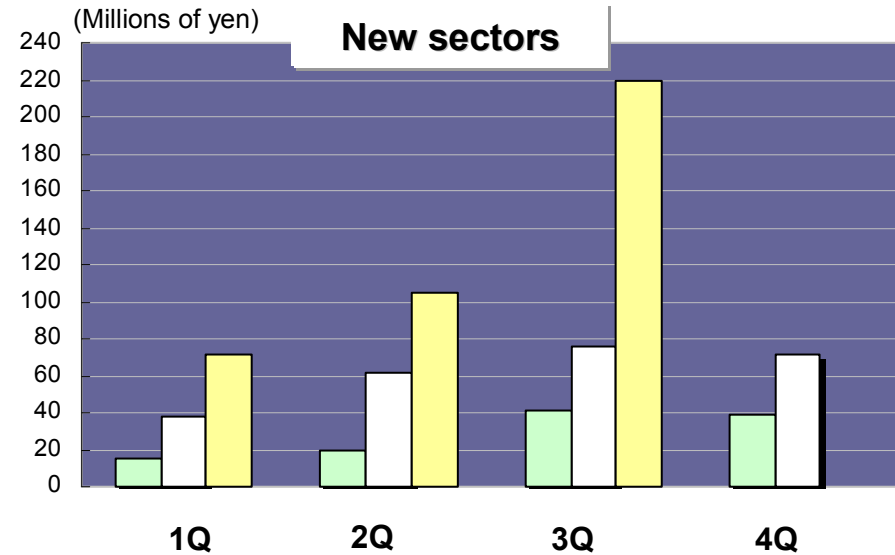
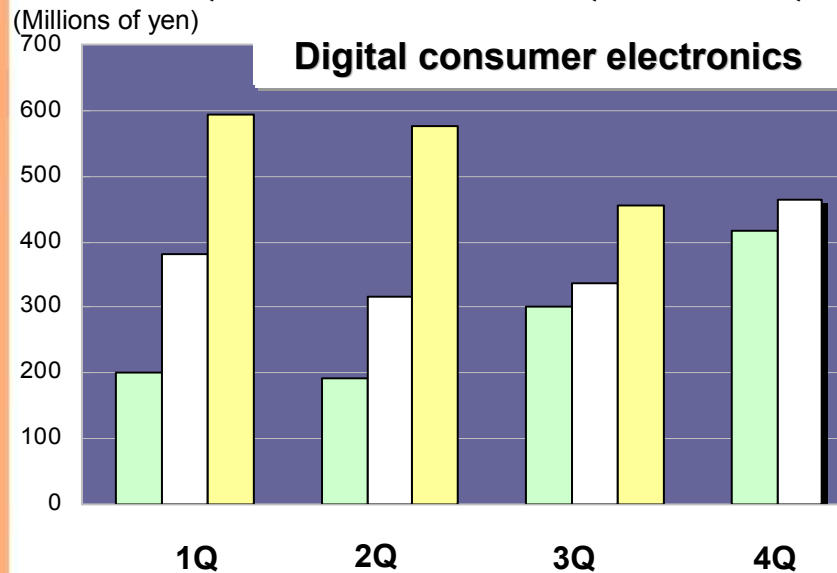
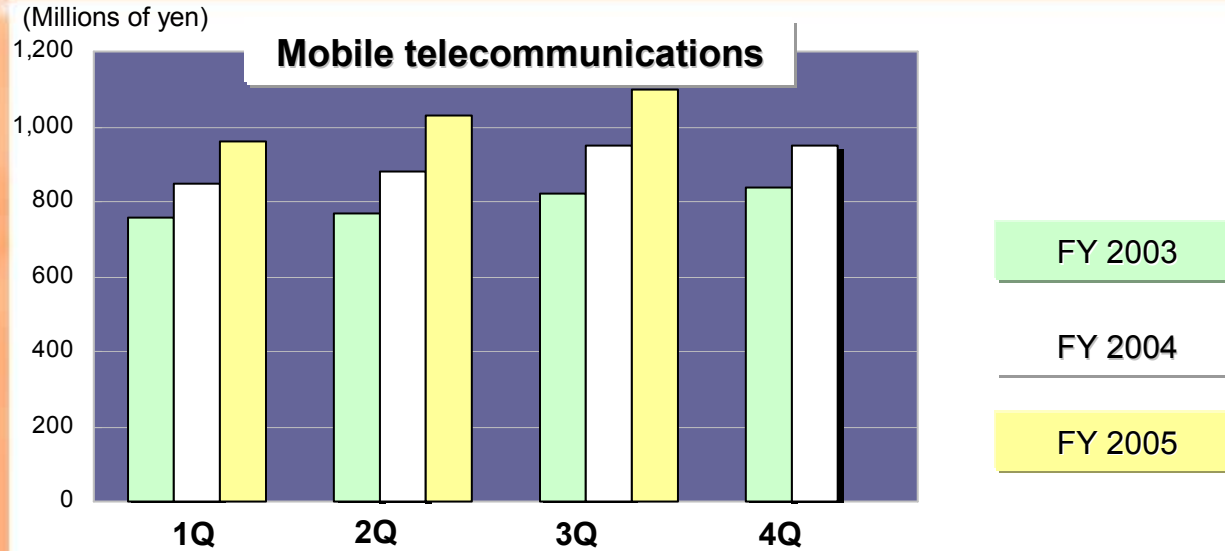




# Quarterly Net Sales Breakdown (1)



## Quarterly Net Sales Breakdown (2)



## Group Companies Net Sales and Earnings

	Net Sales			Gross Profits			Operating Income		
	FY2004 3Q	FY2005 3Q	YoY	FY2004 3Q	FY2005 3Q	YoY	FY2004 3Q	FY2005 3Q	YoY
Backs Group	2,737,022	3,956,219	144.5%	732,886	1,076,379	146.9%	111,614	244,672	219.2%
Giga Japan	699,282	693,354	99.2%	159,160	169,721	106.6%	54,779	59,045	107.8%
d-Link	28,048	-	-	5,772	-	-	2,269	-	-
Smart	511,695	516,842	101.0%	95,610	96,286	100.7%	26,611	27,490	103.3%

【Unit: Thousands of yen】