

Summary of Consolidated Earnings Report

for the Interim Period of the Fiscal Year Ending March 31, 2006

Company: Backs Group Inc. (URL: www.backs.co.jp)
 Stock Listings: JASDAQ
 Code Number: 4306
 Head Office: 1-19-19 Ebisu, Shibuya-ku, Tokyo
 Representative: Yukiko Nishioka (President)
 Inquiries: Masafumi Taya, Managing Director
 Tel: 03-5793-7836
 Board of Director's meeting: Nov 1, 2005
 Use of U.S. accounting standards: No

1. Consolidated Results of Operations for the Interim Period of FY2006 (April 1, 2005 - Sept 30, 2005)

(1) Business Results

(Millions of yen, rounded down)

	Net Sales		Operating Income		Ordinary Income	
	¥mn		¥mn		¥mn	
FY2006 Interim	4,125	23.6%	269	23.8%	269	23.6%
FY2005 Interim	3,336	28.7%	223	97.5%	218	92.8%
(Reference) FY2005 Full year	6,933		460		457	

	Net Income		Net Income per Share		Net Income per Share (Diluted)	
	¥mn		(yen)		(yen)	
FY2006 Interim	154	26.2%	4,366.79		4,348.91	
FY2005 Interim	122	100.7%	4,057.37		3,479.12	
(Reference) FY2005 Full year	258		7,994.34		7,341.07	

Notes:

- Earnings on investments in equity-method affiliates:
 FY06 Interim: n/a FY05 Interim: n/a FY05 Full year: n/a
- Average number of shares outstanding during the period (consolidated):
 FY06 Interim: 36,951 FY05 Interim: 30,106 FY05 Full year: 32,378
- Changes in accounting principles: no
- The percentage figures accompanying net sales, operating income and other items indicate changes from the interim period of the previous fiscal year.
- At the Board of Directors Meeting held March 8, 2004, it was decided that ordinary shares would be split two for one on May 20, 2004. The net income per share and diluted net income per share figures for the FY04 interim period have been calculated based on the number of shares after this split.

(2) Financial Position

(Millions of yen, rounded down; except as indicated)

	Total Assets	Shareholders' Equity	Equity Ratio	Shareholders' Equity per Share
	¥mn	¥mn	(%)	(yen)
FY2006 Interim	2,338	1,486	63.6	42,053.72
FY2005 Interim	1,801	1,167	64.8	38,150.52
(Reference) FY2005 Full year	2,272	1,401	61.7	39,734.94

Notes:

- Number of shares outstanding at end of period (consolidated):
 FY06 Interim: 36,995 FY05 Interim: 30,603 FY05 Full year: 35,267
- At the Board of Directors Meeting held March 8, 2004, it was decided that ordinary shares would be split two for one on May 20, 2004. The net income per share has been calculated based on the number of shares after this split.

(3) Cash Flow

(Millions of yen, rounded down)

	Cash flow from Operating Activities	Cash flow from Investing Activities	Cash flow from Financing Activities	Cash and Cash Equivalents, end of period
FY2006 Interim	113	(25)	(84)	1,082
FY2005 Interim	121	(31)	(29)	831
(Reference) FY2005 Full year	328	(64)	42	1,078

(4) Scope of consolidation and application of the equity method

Consolidated subsidiaries: 2 companies

Unconsolidated subsidiaries accounted for by the equity method: None

Affiliated companies accounted for by the equity method: None

(5) Changes in scope of consolidation and application of the equity method

Consolidation: New: none, Eliminated: none

Equity method: New: none, Eliminated: none

2. Forecasts for Fiscal Year 2006 (April 1, 2005 - March 31, 2006)

(Millions of yen, rounded down)

	Net Sales	Ordinary Income	Net Income
Fiscal 2006	8,887	630	343

(Reference) Net income per share for the full year is forecast at ¥9,739.29

Notes:

Forecasts are based on information available at the time of this announcement, and assume that unknown factors may affect future performance. Actual results may differ significantly due to a variety of factors. Please refer to page 9 of the attached material for forecasts of earnings.

Results of Operations and Financial Position

Business Results for the Interim Period of Fiscal Year 2006

The mobile telecommunications industry, which is the principal market for the Backs Group, achieved robust growth, from 29.6% to 44.0%, in the percentage of subscriptions for mobile phones accounted for by third-generation (3G) handsets. The number of mobile phone subscriptions was 89,120,000 in September 2005, up 5.7% from the previous year.^{*1} Also, competition amongst mobile telecoms companies has further intensified as new services and headset functions have been developed and the expected October 2006 introduction of number portability approaches. In the digital consumer electronics industry, a recent Ministry of Internal Affairs and Communications report on the “Number of Broadband Subscribers” also reveals a healthy upward trend in the number of users. As of the end of June 2005, the number of internet service contracts had reached 30.29 million.^{*2} At present, the spread of broadband, centered on ADSL, has slowed, and until the market switches over to optical fiber the demand for broadband will remain weak. However, demand for other products is firm as new products are introduced.

In the credit card industry, while credit provided through credit cards is growing at stable and high rate of around 5-8% per year (based on consumer credit statistics), the combined market share of the top ten companies is only about 60%. Therefore, there are many competitors and competition is extremely intense.^{*3}

As a result of this business environment, there continues to be firm demand for the Backs Group’s retail support outsourcing services, and even though there has been a temporary decline in broadband-related demand, demand by customers in mobile telecommunications, digital consumer electronics, and new sectors remain firm. During this time, the Backs Group focused on the following measures and marketing activities.

Policies to boost demand

- (1) Developing finance customers as a third pillar in addition to mobile telecommunication and digital consumer electronic customers
- (2) Increasing the number of offices able to accept orders from companies in the mobile telecommunications and and finance industries
- (3) Wining nation-wide orders and the regional leadership by aggressively expanding business

Policies to increase the Groups ability to supply services

- (1) Expanding recruitment to include not only youth but also housewives and middle-aged and elderly part-time workers
- (2) Improving the Group’s staff utilization and retention rates

As a result of these efforts, consolidated net sales for the interim period of fiscal 2006 were ¥4,125 million (up 23.6% compared to the corresponding period of the previous fiscal year).

Inadditiin, ordinary income increased to ¥269 million (an increase of 23.6%), and net income was ¥154 million (up 26.2%).

Notes:1. Source: Calculations based on Telecommunications Business Association report “Numbers of Mobile Phone/IP Connection Services/PHS/Wireless Call Contracts”

2. Source: Calculations based on Ministry of Internal Affairs and Communications’ report “Trends in Numbers of Users of Internet Connection Services, etc (as at June 2005)” (latest data August 31, 2005)

3. Source: Excerpt from Monthly Consumer Credit “Special Feature: The 2010 Credit Card Market”, December 2004 issue

2. Results by Segment

(1) By business segment

(1) Outsourcing

Our outsourcing business has made progress in gaining nation-wide orders from our mobile telecommunications clients. In addition to this, our expansion plan for new business clients (finance industry), which was our main focus during the period resulted in net sales reaching ¥3,525 million (an increase of 19.5% compared to the corresponding period of the previous fiscal year), and operating income totaling ¥309 million (an increase 19.0% compared to the corresponding period of the previous fiscal year).

(2) Temporary Staffing

Temporary staffing has also grown thanks to increased demand from new clients in the finance sector, which was the focus the Group's efforts, similar to the outsourcing sector. Stable sales generated by providing retail staff to mobile telephone company shops resulted in net sales totaling ¥600 million (an increase of 54.9% compared to the corresponding period of the previous fiscal year), but operating income fell to ¥18 million (a decline of 27.1% compared to the corresponding period of the previous fiscal year).

(2) By region

(1) Kanto Region ^{*1}

A new office was opened in Utsunomiya. By establishing a system to create demand for our services in the throughout the whole Kanto region and strengthening staff recruitment, the Group was able increase sales. Net sales for the interim period of fiscal 2005 were ¥2,757 million (an increase of 27.4% compared to the corresponding period of the previous fiscal year).

National ^{*2}

Sales from the existing branch offices throughout Japan were firm, and were centered on orders from the mobile communications industry and new industries (in particular the finance industry). We also opened a new Hokuriku office. On account of contributions from this new office and offices opened in fiscal 2005, net sales for the first half totaled ¥1,368 million (an increase of 16.6% compared to the corresponding period of the previous fiscal year).

(3) By customer industry

1) Mobile telecommunications ^{*3}

Competition among mobile telecommunications clients intensified as they worked to expand the use of 3G mobile phones and provide a wider range of new services and functions. Increased national-wide demand from these telecoummincations clients resulted in net sales increasing to ¥2,536 million for the first half (an increase of 27.4% compared to the corresponding period of the previous fiscal year).

2) Digital consumer electronics ^{*4}

Since the industry is in a transition period from ADSL to fiber optics, demand for broadband-related services is weak compared to previous fiscal year. Despite firm demand for other digital consumer goods (printers, DVD, fax machines, digital cameras, security software, etc) net sales for interim period were ¥891 million (a decline of 23.7% compared to the corresponding period of the previous fiscal year).

3) New Sectors ^{*5}

There is firm demand nationwide by financial service customers for promotional work related to card memberships, and orders from general consumer appliance manufacturers have been strong. As a result, net sales for the first half were ¥697 million (an increase of 296.1% compared to the corresponding period of the previous fiscal year).

Note:

*1: Includes Tokyo, Kanagawa, Saitama, Chiba, Ibaraki, Tochigi, and Gunma

*2: Indicates all other regions not listed in note (1) above.

*3: Indicates all mobile telecommunications customers, including carriers and agents.

*4: Indicates manufacturers of personal computers and digital consumer electronics (printers, DVDs, PDAs, displays, digital cameras, etc.), as well as broadband service (ADSL, Optical fiber) providers.

*5: Indicates producers of general consumer goods such as alcoholic beverages, soft drinks, daily items, and car accessories, as well as financial services companies such as banks and credit card companies.

3. Cash flows

At the end of interim period, consolidated balance of cash and cash equivalents (hereafter, "cash") was ¥1,082 million (an increase of 30.2% compared to the corresponding period of the previous fiscal year). The principle reason for this increase in cash was an increase in net cash provided by operating activities.

(Cash flow from operating activities)

Cash provided by operating activities during interim period was ¥113 million (a decline of 6.6% compared to the corresponding period of the previous fiscal year). This was due mainly to an increase in net income before income taxes and minority interests for the first half.

(Cash flow from investment activities)

Cash used for investing activities during the interim period was ¥25 million (a decline of 20.8% compared to the corresponding period of the previous fiscal year). The main uses of cash were ¥12 million in expenditure for deposits and guarantees accompanying the opening of new offices to aggressively expand business, and ¥7 million in expenditures to acquire tangible fixed assets.

(Cash flow from financing activities)

Cash used for financing activities totaled ¥84 million (an increase of 181.5% compared to the corresponding period of the previous fiscal year). The main reasons for the increase was the repayment of ¥16 million in long-term debt and the payment of ¥69 million in dividends.

The Backs Group's cash flow indicators are as below

	FY2003 (ended March 2004)		FY 2004 (ended March 2005)		FY 2005 (ending March 2006)
	Interim	End of fiscal year	Interim	End of fiscal year	Interim
Shareholders' equity ratio (%)	61.4	55.4	64.8	61.7	63.6
Shareholders' equity ratio on market value basis	125.7	195.1	460.3	504.4	503.4
Years to maturity	0.6	0.4	0.2	0.1	0.0
Interest coverage ratio (x)	59.0	57.6	222.7	391.3	518.3

Shareholders' equity ratio: Shareholders' equity / total assets

Shareholders' equity ratio on market value basis: Market capitalization / total assets

Years to maturity: Interest-bearing debt / operating cash flow

(For interim values the cash flow from operation is multiplied by 2 to convert it to an annual amount).

Interest coverage ratio: Operating cash flow / interest payments

* Each indicator is calculated using consolidated financial results.

* Market capitalization is the closing price at the end of the period X number of issued shares at the end of the period (after subtracting own treasury stock).

* Operating Cash Flows and interest payments refer to the figures for the "Cash Flows from Operating Activities" and "Interest expenses paid" figures appearing in the Interim Consolidated Statement of Cash Flows.

4. Outlook for the Full Fiscal Year

At present our forecasts for the full fiscal year have not changed from initial forecasts. As previously announced, our forecast for the full fiscal year is for consolidated net sales to total ¥8,887 (an increase of 28.2% compared to the corresponding period of the previous fiscal year), ordinary income to reach ¥630 million (an increase of 37.9%), and net income to total ¥343 million (an increase of 32.7%).

Interim Consolidated Balance sheet and Income statement

1 . Interim Consolidated Balance Sheet

(Unit : Thousands of yen)

Accounts	Interim of FY2005 (As of Sep 30, 2004)		Interim of FY2006 (As of Sep 30, 2005)		FY2005 (As of March 30, 2005)	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
ASSETS		%		%		%
Current Assets						
Cash and Cash equivalents	831,663		1,082,868		1,078,639	
Notes and accounts receivable	662,247		914,514		876,003	
Marketable securities	11,815		-		-	
Deferred tax assets	14,509		14,544		22,469	
Others	25,471		46,637		23,298	
Allowance for doubtful accounts	(804)		(977)		(1,073)	
Total currents assets	1,544,901	85.8	2,057,588	88.0	1,999,336	88.0
Fixed Assets						
(1) Property and equipment	53,606		45,323		48,583	
(2) Buildings and structures Machinery, tools and equipment	25,843		24,783		24,317	
Total property and equipment	79,449		70,107		72,901	
Intangible fixed assets						
(1) Software	33,596		50,484		52,273	
(2) Others	3,238		3,238		3,238	
Total intangible fixed assets	36,834		53,723		55,512	
Investments and other assets						
Deposits and guarantees	140,440		157,100		144,771	
Others	-		389		-	
Total investments and other assets	140,440		157,489		144,771	
Total fixed assets	256,725	14.2	281,320	12.0	273,184	12.0
TOTAL ASSETS	1,801,626	100.0	2,338,909	100.0	2,272,521	100.0

(Unit : Thousands of yen)

Accounts	Interim of FY2005 (As of Sep 30,2004)		Interim of FY2006 (As of Sep 30,2005)		FY2005 (As of March 30, 2005)	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
LIABILITIES AND SHAREHOLDERS' EQUITY		%		%		%
Current Liabilities						
Notes and accounts payable, trade	5,926		2,504		3,005	
Short-term debt	40,700		8,700		25,300	
Income taxes payable	60,653		110,159		130,880	
Consumption tax payable	64,157		81,949		106,116	
Accrued expenses	340,269		491,630		482,343	
Other	113,661		157,115		123,505	
Total current liabilities	625,368	34.7	852,059	36.4	871,151	38.3
Long-Term liabilities						
Long-term debt	8,700		-		-	
Total long-term liabilities	8,700	0.5	-	-	-	-
TOTAL LIABILITIES	634,068	35.2	852,059	36.4	871,151	38.3
SHAREHOLDERS' EQUITY						
Capitalization	345,139	19.2	394,579	16.9	393,672	17.3
Capital surplus	369,984	20.5	420,559	18.0	419,652	18.5
Retained earnings	493,366	27.3	713,719	30.5	630,054	27.7
Net unrealized holding gain on securities	1,076	0.1	-	-	-	-
Treasury stock	(42,008)	-2.3	(42,008)	-1.8	(42,008)	-1.8
Total shareholders' equity	1,167,558	64.8	1,486,849	63.6	1,401,370	61.7
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,801,626	100.0	2,338,909	100.0	2,272,521	100.0

2 . Interim Consolidated Statement of Income

(Unit : Thousands of yen)

Item	Interim of FY2005 From Apr 1,2004 To Sep 30,2004		Interim of FY2006 From Apr 1,2005 To Sep 30,2005)		FY2005 From Apr 1,2004 To Mar 30, 2005	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Net sales	3,336,811	100.0	4,125,624	100.0	6,933,695	100.0
Cost of sales	2,478,938	74.3	3,069,497	74.4	5,163,931	74.5
Gross profit on sales	857,873	25.7	1,056,127	25.6	1,769,764	25.5
Selling, general and administrative expenses	634,503	19.0	786,370	19.1	1,309,220	18.9
Operating income	223,369	6.7	269,756	6.5	460,543	6.6
Non-operating income	598	0.0	1,339	0.0	2,722	0.1
Interest received	3		4		6	
Commissions receivable	-		903		1,171	
Revenue from contract penalties	-		-		1,379	
Gain on exemption from consumption tax	-		163		-	
Others	595		268		166	
Non-operating expenses	5,744	0.2	1,289	0.0	6,114	0.1
Interest expense	545		218		838	
Fee to establish a commitment line	1,331		895		2,699	
Payments for exemption from consumption tax	1,454		-		457	
Others	2,412		175		2,117	
Ordinary income	218,223	6.5	269,807	6.5	457,151	6.6
Extraordinary gains	32	0.0	96	0.0	4,186	0.1
Reversal of allowance for doubtful receivables	32		96		-	
Gain on sales of marketable securities	-		-		2,667	
Gains from prior-term adjustments	-		-		1,519	
Extraordinary losses	14,150	0.4	6,931	0.1	17,120	0.3
Loss on sale of fixed assets	10,870		58		13,840	
Expenses for restoration to original state	3,279		-		3,279	
Loss on prior-term adjustments	-		6,873		-	
Income before income taxes and minority interests	204,105	6.1	262,971	6.4	444,216	6.4
Income taxes	52,061	1.5	100,848	2.5	156,786	2.3
Deferred income taxes	-	-	-	-	5,919	0.1
Income tax adjustment	29,888	0.9	7,924	0.2	22,666	0.3
Net income	122,155	3.7	154,198	3.7	258,843	3.7

3 . Interim Consolidated Statement of Retained Earnings

(Unit : Thousands of yen)

Item	Interim of FY2005 (As of Sep 30,2004)		Interim of FY2006 (As of Sep 30,2005)		FY2005 (As of March 30, 2005)	
CAPITAL SURPLUS						
Capital surplus at the beginning of the period		358,758		419,652		358,758
Increases in capital surplus						
New stock issues due to exercise of subscription rights	11,222		-		-	
New stock issued through exercise of preemptive rights			907		59,754	
Transfer of subscription rights	4	11,226	-	907	1,139	60,893
Capital surplus at the end of the period		369,984		420,559		419,652
RETAINED EARNINGS						
Retained earnings at the beginning of the period		393,491		630,054		393,491
Increases in retained earnings						
Net income		122,155		154,198		258,843
Decreases in retained earnings						
Cash dividends		22,281		70,534		22,281
Retained earnings at the end of the period		493,366		713,719		630,054

4 . Interim Consolidated Statement of Cash Flows

(Unit : Thousands of yen)

Item	Interim of FY2005 (As of Sep 30,2004)	Interim of FY2006 (As of Sep 30,2005)	FY2005 (As of March 30, 2005)
Cash flows from operating activities			
Income before income taxes and minority interests	204,105	262,971	444,216
Depreciation and amortization	19,146	18,937	42,173
Changes in provision for doubtful accounts (decrease)	(22)	(96)	245
Changes in provision for bonuses	(48,360)	-	(48,360)
Interest and dividend income	(4)	(5)	(107)
Interest expenses	545	218	838
Gain (loss) on retirement of fixed assets	10,870	58	13,840
Gain on sales of marketable securities	-	-	(2,667)
Changes in accounts receivable (increase)	63,812	(38,511)	(149,942)
Changes in purchase liabilities (decrease)	(35,645)	(500)	(38,566)
Changes in consumption tax payable (decrease)	(9,153)	(24,166)	32,798
Changes in accrued expenses (decrease)	(9,008)	9,286	133,066
Other, net	(144)	17,269	25,325
Subtotal	196,141	245,461	452,861
Interest and dividends received	4	5	107
Interest expenses paid	(545)	(218)	(838)
Income taxes paid	(74,213)	(131,854)	(123,812)
Net cash from operating activities	121,387	113,393	328,317
Net cash from operating activities			
Payments for purchases of property and equipment	(58,767)	(7,394)	(70,852)
Payments for purchases of intangible fixed assets	(16,606)	(5,399)	(45,084)
Proceeds from the sales of marketable securities	-	-	12,480
Payments for deposits and guarantees	(15,277)	(12,628)	(20,502)
Proceeds from return of deposits and guarantees	58,912	300	59,605
Net cash from investing activities	(31,739)	(25,122)	(64,354)
Cash flows from financing activities			
Net change in short-term borrowing	(15,000)	-	(22,500)
Repayments of long-term debt	(16,600)	(16,600)	(33,200)
Proceeds from stock issues	22,444	1,815	119,509
Cash dividends paid	(20,702)	(69,257)	(21,005)
Payments for purchases of treasury stock	-	-	-
Net cash from financing activities	(29,857)	(84,042)	42,804
Change in cash and cash equivalents	59,790	4,229	306,766
Cash and cash equivalents at the beginning of the period	771,872	1,078,639	771,872
Cash and cash equivalents at the end of the period	831,663	1,082,868	1,078,639

Segment Information

1 . Industry segments

Previous consolidated interim period (April 1, 2004 – September 30, 2004)

(Unit: Thousands yen of yen)

	Outsourcing business	Temporary Staffing	Total	Eliminations and corporate	Consolidated
Sales					
(1) Sales to external clients	2,949,359	387,451	3,336,811	-	3,336,811
(2) Internal sales or transfers between segments	9,268	-	9,268	(9,268)	-
Total	2,958,628	387,451	3,346,079	(9,268)	3,336,811
Operating expenses	2,698,380	362,211	3,060,592	52,849	3,113,441
Operating income	260,248	25,239	285,487	(62,118)	223,369

Current consolidated interim period (April 1, 2005 – September 30, 2005)

(Unit: Thousands of yen)

	Outsourcing business	Temporary Staffing	Total	Eliminations and corporate	Consolidated
Sales					
(1) Sales to external clients	3,525,393	600,231	4,125,624	-	4,125,624
(2) Internal sales or transfers between segments	10,143	73	10,216	(10,216)	-
Total	3,535,536	600,304	4,135,841	(10,216)	4,125,624
Operating expenses	3,225,777	581,904	3,807,682	48,185	3,855,867
Operating income	309,759	18,399	328,159	(58,402)	269,756

Previous consolidated fiscal year (April 1, 2004 – March 31, 2005)

Unit: Thousand yen

	Outsourcing business	Temporary Staffing	Total	Eliminations and corporate	Consolidated
Sales					
(1) Sales to external clients	6,027,124	906,571	6,933,695	-	6,933,695
(2) Internal sales or transfers between segments	19,394	887	20,281	(20,281)	-
Total	6,046,518	907,458	6,953,977	(20,281)	6,933,695
Operating expenses	5,514,450	864,330	6,378,780	94,371	6,473,152
Operating income	532,068	43,128	575,196	(114,653)	460,543

- Note: 1. Business divisions are categorized according to the type and nature of the work,
2. Major businesses under each category
- (1) Outsourcing business..... Field staff business, Rounders (Route sales staff) business
- (2) Temporary staffing business Temporary staffing service business
3. Among the business expenses in the previous fiscal year's interim period, ¥62.118 million of unallocated expenses was included in the "Eliminations and corporate" item. These were mainly expenses associated with the parent company's management department.
- Among the business expenses in the interim period of the current fiscal year, ¥58.402 million of unallocated expenses was included in the "Eliminations and corporate" item. These were mainly expenses associated with the parent company's management department.
- Among the business expenses in the previous fiscal year, ¥114.653 million of unallocated expenses was included in the "Eliminations and corporate" item. These were mainly expenses associated with the parent company's management department.

2 . Geographical segments

This section has been abridged, as the Company has no overseas consolidated subsidiaries or important overseas offices.

Production, Orders and Sales

(1) Production

This section has been abridged, as there is no relevant information concerning production due to the nature of the services that the Company provides (outsourcing and temporary staffing).

(2) Orders

This section has been abridged because orders for the services that the Company provides (outsourcing and temporary staffing) consist of both long-term contracts and short-term appointments, which makes accurate analysis of order volume difficult.

(3) Sales

Sales by business segment for the fiscal period under review are as follows:

(Unit :Thousands of yen)

Business Segment	Amount	Change
Outsourcing	3,525,393	119.5%
Temporary staffing	600,231	154.9
Total	4,125,624	123.6

Note1: Sales and by main clients for the fiscal period under review are follows:

(Unit :Thousands of yen)

Clients	Interim of FY2006		Interim of FY2005	
	Amount	Share	Amount	Share
KDDI	1,422,593	42.6%	1,184,823	28.7%

Note: Amounts do not include consumption tax.