

May 10, 2006

Summary of Consolidated Earnings Report for the Fiscal Year Ending March 31, 2006

Company Name: Backs Group Inc. (URL: www.backs.co.jp)
Code Number: 4306
Stock Listings: JASDAQ
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Representative: Yuhiko Nishioka (President)
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Board of Director's meeting: May 10, 2006
Use of U.S. accounting standards: No

1. Consolidated Results for the Fiscal Year Ended March 31, 2006 (April 1, 2005 - March 31, 2006)

(1) Business Results (Millions of yen, rounded down; %)

	Net Sales	Operating Income	Ordinary Income
FY 2006	8,963 (29.3)	637 (38.5)	637 (39.4)
FY 2005	6,933 (29.1)	460 (99.5)	457 (102.0)

	Net Income	Net Income per share (yen)	Net Income per share (Diluted) (yen)	ROE (%)	Ratio of ordinary income to total capital (%)	Ratio of ordinary income to sales (%)
FY 2006	371 (43.6)	2,629 67	2,616 09	23.9	25.0	7.1
FY 2005	258 (93.4)	7,994 34	7,341 07	21.2	22.0	6.6

Notes:

Profit (Loss) on equity method investment FY 2006 million yen FY 2005 million yen

Average number of shares outstanding FY 2006 141,374shares FY 2005 32,378shares

Changes in accounting principles: No

The percentage figures accompanying net sales, operating income and other items indicate changes from the corresponding period of the previous fiscal year.

At the Board of Directors meeting held November 9, 2005, it was decided that ordinary shares would be split four for one in January 20, 2006. The net income per share and diluted net income per share figures for the third quarter and full-year of fiscal 2006 have been calculated based on the number of shares after this split.

(2) Consolidated Financial Position (millions of yen, rounded down; except as indicated)

	Total Assets	Shareholders' Equity	Equity Ratio (%)	Shareholders' Equity per Share (yen)
FY 2006	2,829	1,705	60.3	12,039 41
FY 2005	2,272	1,401	61.7	39,734 94

Notes:

Number of shares outstanding at the end of fiscal year FY 2005 141,679shares FY 2006 35,267shares

At the Board of Directors meeting held November 9, 2005, it was decided that ordinary shares would be split four for one in January 20, 2006. Shareholders' equity per share has been calculated based on the number of shares after this split.

(3) Consolidated Cash Flows Position (Unit: Millions of yen)

	Cash Flow from Operating Activities	Cash Flow from Investment Activities	Cash Flow from Financial Activities	Cash and Cash Equivalents, end of Period
FY 2006	342	101	92	1,226
FY 2005	328	64	42	1,078

(4) Scope of consolidation and application of equity method

Number of consolidated subsidiaries: 2

Number of non-consolidated subsidiaries to which equity method is applied: None

Number of affiliated companies to which equity method is applied: None

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

Consolidated (new): None

(Excluded): None

Equity method (new): None

(Excluded): None

2. Consolidated Forecast for Fiscal Year 2007 (April 1, 2006 – March 31, 2007)

(Unit: Millions of yen)

	Net Sales	Ordinary Income	Net Income
Half Year	5,645	387	226
Full Year	12,072	927	546

(Reference) Net income per share for the current fiscal year is forecast at ¥3,856.17

Note: 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 8 of the attached material for forecasts of earnings.

Business Results and Financial Condition

1. Outline of Results for the Year Ended March 31, 2006 (Fiscal Year 2006)

The mobile telecommunications industry, the principal market in which the Backs Group operates, achieved robust growth from 34.9% to 52.7% in the percentage of subscriptions for third-generation (3G) handsets. The number of mobile phone subscriptions was 91,790,000 at the end of March 2006, 5.5% more than in the corresponding period of the previous fiscal year.*1 In addition, with the commencement of digital terrestrial broadcasting (one segment broadcasting) for mobile phones, increasing new entrants to the market and the imminent introduction of number portability scheduled for November 2006, competition among mobile telecom companies has further intensified. With regard to the digital consumer electronics industry, a Ministry of General Affairs' report on the "Number of Broadband Subscribers" indicates a healthy upward trend in the number of users. As of the end of December 2005, this number was 30.79 million.*2 However, there has been a slowdown in the spread of ADSL broadband, and until the market makes the switch over to optical fiber networks, demand for broadband will remain weak. Nonetheless, demand for other products is firm due to new market introductions.

In the credit card industry, while credit provided through credit cards is growing at the 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%. This suggests there are many competitors and competition is extremely intense in this industry. *3

Under these conditions, demand for the Backs Group's retail support outsourcing services continued to thrive. This included healthy growth in demand from each of the Group's customers – in the mobile telecommunications, digital consumer electronic, and new sector areas, despite a general downturn in demand for broadband-related services. In this environment, we 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 finance industries
- (3) Wining nation-wide orders and regional leadership by aggressively expanding business

Policies to increase the Group's 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 fiscal year 2006 were ¥8,963 million (up 29.3% from the previous fiscal year). Ordinary income was ¥637 million (up 39.4%), and net income was ¥371 million (up 43.6%).

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 December 2005)" (latest data March 3, 2006).
- (3) Source: Excerpt from Monthly Consumer Credit "Special Feature: The 2010 Credit Card Market", December 2004 issue.

2. Results by Major Segment

- (1) By business segment

Outsourcing

Our outsourcing business in fiscal year 2006 recorded further increased demand nationwide from mobile telecommunications clients. In addition to this, we continued to expand the number of new business clients (finance industry), which was our main focus during the fiscal year. As a result, net sales in the outsourcing segment totaled ¥7,631 million (up 26.6% from the previous fiscal year), while operating income was ¥668 million (up 25.7%).

Temporary staffing

Temporary staffing has also grown on account of continued buoyant demand from new sector customers (especially financial), which was the focus of the Group's efforts, as with the outsourcing sector. As a result, net sales in the temporary staffing segment totaled ¥1,331 million (up 46.9% from the previous fiscal year), while operating income was ¥94 million (up 119.3%).

(2) By region

Kanto region*1

New offices were opened in Utsunomiya, Takasaki and Niigata, thereby strengthening the system aimed at creating demand for our services throughout the whole Kanto region and reinforcing staff recruitment. This led to a steady increase in sales. Net sales totaled ¥5,777 million (up 26.1% from the previous fiscal year).

National*2

Besides contributions from new offices in Hokuriku and Morioka opened to bolster our national sales network, the extremely positive effects of opening other offices in the previous fiscal year began to emerge, so sales from existing branch offices throughout Japan were strong. Net sales totaled ¥3,186 million (up 35.5% from the previous fiscal year).

(3) By customer industry

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 nationwide demand from these telecommunications clients resulted in net sales of ¥5,361 million (up 26.3% from the previous fiscal year).

Digital consumer electronics*4

Despite burgeoning demand for ADSL services in the previous fiscal year due to intense market competition, the switchover to fiber optics this fiscal year has driven a year-on-year decrease in broadband-related services. Nonetheless, there was strong demand for other digital consumer goods (printers, DVDs, fax machines, digital cameras, security software, etc.). Net sales totaled ¥2,064 million (down 0.8% from the previous fiscal year).

New sectors*5

There was continued strong demand from financial service customers for promotion of card memberships. This was in line with our efforts to make this segment our third pillar of business together with the mobile and digital segments. Meanwhile, orders from general consumer appliance manufacturers were strong. As a result, net sales were ¥1,537 million (up 153.7% from the previous fiscal year).

Notes:

- (1) Includes Tokyo, Kanagawa, Saitama, Chiba, Ibaraki, Atsugi, Gunma and Niigata.
- (2) Indicates all other regions not listed in (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. Statements of Cash Flows

At the end of the fiscal year, the balance of cash and cash equivalents (hereafter, “cash”) was ¥1,226 million on a consolidated basis (up 13.7% from the previous fiscal year-end). This was due mainly to an increase in net cash provided by operating activities.

Cash flow by operating activities

Cash provided by operating activities during the term was ¥342 million (up 4.2% from the previous fiscal year). This was due primarily to a significant increase in income before income taxes to ¥629 million.

Cash flow by investing activities

Cash used in investing activities during the term was ¥101 million (up 58.4% from the previous fiscal year). The main uses of cash included payment of ¥53 million for purchase of property, plant and equipment and intangible fixed assets, payment of ¥20 million for security deposits and guarantees, and payment of ¥30 million for purchase of investment securities.

Cash flow by financing activities

Cash used in financing activities was ¥92 million (compared with income of ¥42 million in the previous fiscal year). This was due mainly to ¥25 million for the repayment of long-term debt and ¥70 million for dividend payments.

Trends in cash flow indicators (consolidated)

	Fiscal 2005		Fiscal 2006	
	Interim	Year-end	Interim	Year-end
Equity ratio (%)	64.8	61.7	63.6	60.3
Equity ratio (market value basis) (%)	460.3	504.4	503.4	1,056.5
Debt redemption (years)	0.2	0.1	0.0	-
Interest coverage ratio (times)	222.7	391.3	518.3	1,563.4

Equity ratio = Shareholders' equity / total assets

Equity ratio (market value basis) = Aggregate market value of stock / total assets

Debt redemption (years) = Interest-bearing debt / operating cash flow

(Operating cash flow is calculated on an annual basis, so interim debt redemption is presented as double the year-end amount)

Interest coverage ratio = Operating cash flow / interest expense

*All indices are calculated on a consolidated basis

*Aggregate market value of stock = Year-end market price x number of shares issued as of year-end (after deducting treasury stock)

*Calculations of operating cash flow and interest expense use amounts in “cash flow by operating activities” and “interest payments” in the consolidated (interim consolidated) cash flow statements.

4. Financial Outlook for Fiscal Year 2007

Our corporate group will make every effort to strengthen its solid business foundation, which is underpinned neither by any specific customer nor single business sector and is not easily swayed by changes in economic conditions.

Backs Group has set three priorities for business development in fiscal year 2007.

- Expanding business scale and customer base by leveraging its nationwide network
- Enhancing its service lineup in the sales promotion business
- Promoting horizontal development into new customer industries, especially the financial field, to complement business in the mobile and digital sectors

In the Outsourcing business, Backs Group will aggressively seek to broaden the scope of its customer base and provide comprehensive services in the sales promotion business to significantly increase profitability, focusing on:

- Expanding business scale through the full-year operation of all sales outlets
- Increasing sales of digital consumer electronics and financial services
- Creating a system to provide comprehensive services for store sales promotions, from planning and creation to operation and management

In the Temporary Staffing business, Backs Group will aggressively implement measures to strengthen its responsiveness to customer needs, focusing on:

- Tapping demand for temporary staffing in mobile phone carrier shops
- Cultivating demand for temporary staff for credit card subscription services
- Developing staff recruiting for jobs that require specialized skills in the apparel industry

In the area of staff placement, the Backs Group will implement measures to raise recruitment effectiveness, such as expanding the range of targeted types of personnel and increasing both the recruitment staff placement rate and recruited staff retention rate. We will also strive to raise overall awareness of the company in the job-seek market. This will include efforts to optimize our media mix and to maximize utilization of media developed in-house such as the job placement information site “digibeit.com,” which is exclusively used by the Backs Group, and “apparel-job.com,” a dedicated job placement information site for the clothing industry.

For fiscal year 2007, Backs Group forecasts that these efforts and measures will result in consolidated net sales of ¥12,072 million (up 34.7% from the previous year), ordinary income of ¥927 million (up 45.6%), and net income of ¥546 million (up 47.0%).

Consolidated Balance sheet and Income statement

1. Consolidated Balance Sheet

(Unit : Thousands of yen)

Accounts	FY2005 (As of March 31,2005)		FY2006 (As of March 31,2006)	
	A m o u n t	Ratio	A m o u n t	Ratio
ASSETS		%		%
I Current Assets				
1. Cash and cash equivalents	1,078,639		1,226,586	
2. Notes and accounts receivable	876,003		1,211,778	
3. Deferred tax assets	22,469		25,103	
4. Others	23,298		32,448	
5. Allowance for doubtful accounts	1,073		982	
Total current assets	1,999,336	88.0	2,494,933	88.2
II Fixed assets				
1. Tangible fixed assets				
(1) Buildings and structures	67,982		73,568	
Depreciation and amortization	19,399	48,583	32,221	41,347
(2) Machinery, tools and equipment	60,263		70,158	
Depreciation and amortization	35,945	24,317	47,427	22,731
Total tangible fixed assets	72,901	3.2	64,078	2.3
2. Intangible fixed assets				
(1) Software	52,273		74,129	
(2) Others	3,238		3,238	
Total intangible fixed assets	55,512	2.4	77,368	2.7
3. Investment and other assets				
(1) Investment securities	-		30,000	
(2) Deposits and guarantees	144,771		162,898	
(3) Others	-		283	
Total Investment and other assets	144,771	6.4	193,182	6.8
Total Fixed assets	273,184	12.0	334,628	11.8
TOTAL ASSETS	2,272,521	100.0	2,829,562	100.0

(Unit : Thousands of yen)

Account	FY2005 (As of March 31,2005)		FY2006 (As of March 31,2006)	
	Amount	Ratio	Amount	Ratio
LIABILITIES		%		%
Current liabilities				
1. Notes and accounts payable, trade	3,005		46,012	
2. Long-term debt due within one year	25,300		-	
3. Account payable	66,189		67,127	
4. Income taxes payable	130,880		192,129	
5. Consumption tax payable	106,116		137,987	
6. Accrued expenses	482,343		604,733	
7. Others	57,316		75,830	
Total current liabilities	871,151	38.3	1,123,821	39.7
TOTAL LIABILITIES	871,151	38.3	1,123,821	39.7
SHAREHOLDER'S EQUITY				
I Capitalization 1	393,672	17.3	395,240	14.0
II Capital surplus	419,652	18.5	421,219	14.9
III Retained earnings	630,054	27.7	931,290	32.9
IV Treasury stock 2	42,008	1.8	42,008	1.5
Total shareholders' equity	1,401,370	61.7	1,705,741	60.3
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	2,272,521	100.0	2,829,562	100.0

2. Consolidated Income Statements

(Unit : Thousands of yen)

Item	FY2005 (As of March 31,2005)			FY2006 (As of March 31,2006)		
	Amount		Ratio	Amount		Ratio
I Net sales		6,933,695	100.0		8,963,331	100.0
II Cost of sales		5,163,931	74.5		6,680,170	74.5
Gross profit on sales		1,769,764	25.5		2,283,161	25.5
III Selling general and administrative expenses	1	1,309,220	18.9		1,645,501	18.4
Operating income		460,543	6.6		637,660	7.1
IV Non-operating income						
1. Interest received		6			7	
2. Commissions receivable		1,171			1,088	
3. Revenue from contract penalties		1,379			-	
4. Gain on exemption from consumption tax		-			802	
5. Others		166	0.1		189	0.0
2,722					2,089	
V Non-operating expenses						
1. Interest expenses		838			218	
2. Fee to establish a commitment line		2,699			1,793	
3. Others		2,575	0.1		487	0.0
6,114					2,500	
Ordinary income		457,151	6.6		637,249	7.1
VI Extraordinary gains						
1. Reversal of allowance for doubtful receivables		-			91	
2. Gain on sales of marketable securities		2,667			-	
3. Gain from prior-term adjustments		1,519	0.1		-	0.0
4,186					91	
VII Extraordinary losses						
1. Loss on sale of fixed assets	2	13,840			198	
2. Expenses for restoration to original state		3,279			360	
3. Loss from prior-term adjustments	3	-	0.3		6,873	0.1
17,120					7,431	
Income before income taxes and minority interests		444,216	6.4		629,908	7.0
Income taxes		156,786			260,772	
Deferred income taxes		5,919			-	
Income tax adjustment		22,666	2.7		2,633	2.9
185,372					258,139	
Net income		258,843	3.7		371,769	4.1

3. Consolidated Statement of Retained Earnings

(Unit : Thousands of yen)

	FY2005 (As of March 31,2005)		FY2006 (As of March 31,2006)	
	Amount		Amount	
CAPITAL SURPLUS				
I Capital surplus at the beginning of the period		358,758		419,652
II Increase in capital surplus				
1. New stock issues due to exercise of subscription rights	59,754		1,567	
2. Transfer of subscription rights	1,139	60,893	-	1,567
III Capital surplus at the end of the period		419,652		421,219
RETAINED EARNINGS				
I Retained earnings at the beginning of the period		393,491		630,054
II Increases in retained earnings				
Net income	258,843	258,843	371,769	371,769
Decrease in retained earnings				
Cash dividends	22,281	22,281	70,534	70,534
Retained earnings at the end of the period		630,054		931,290

4. Consolidated Statement of Cash Flow

(Unit : Thousands of yen)

Item	FY2005 (As of March 31,2005)	FY2006 (As of March 31,2006)
I Cash flows from operating activities		
Income before income taxes and minority interest	444,216	629,908
Depreciation and amortization	42,173	41,889
Change in provision for doubtful accounts (decrease)	245	91
Change in provision for bonuses	48,360	-
Interest and dividend income	107	8
Interest expenses	838	218
Loss on retirement of fixed assets	13,840	198
Gain on sales of marketable securities	2,667	-
Change in accounts receivable (increase)	149,942	335,775
Change in purchase liabilities	38,566	43,007
Change in consumption tax payable	32,798	31,870
Change in accrued expenses	133,066	122,389
Other, net	25,325	12,760
Subtotal	452,861	546,368
Interest and dividends received	107	8
Interest expenses paid	838	218
Income taxes paid	123,812	204,113
Net cash from operating activities	328,317	342,045
II Cash flows from investing activities		
Payments for purchases of property and equipment	70,852	16,560
Payments for purchases of intangible fixed assets	45,084	36,978
Proceeds from the sale of marketable securities	12,480	-
Proceeds from sale and redemption of marketable securities	-	30,000
Payments for deposits and guarantees	20,502	20,309
Proceeds from return of deposits and guarantees	59,605	1,922
Net cash from investing activities	64,354	101,926
III Cash flows from financing activities		
Net change in short-term borrowing	22,500	-
Repayment of long-term debt	33,200	25,300
Proceeds from stock issues	119,509	3,135
Cash dividends paid	21,005	70,006
Net cash from financing activities	42,804	92,171
IV Change in cash and cash equivalents	306,766	147,947
V Cash and cash equivalents at the beginning of the period	771,872	1,078,639
VI Cash and cash equivalents at the end of the period	1,078,639	1,226,586

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 make 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
O u t s o u r c i n g	7,631,990	126.6 %
T e m p o r a r y s t a f f i n g	1,331,341	146.9
Total	8,963,331	129.3

Note 1: Sales and by main clients for the fiscal period under review are follows:

(Unit : Thousands of yen)

Clients	FY2005 (As of March 31, 2005)		FY2006 (As of March 31, 2006)	
	Amount	Ratio	Amount	Ratio
K D D I	2,457,218	%	2,578,900	%
		35.4		28.8

Note 2: Amount do not include consumption tax.