JASDAQ

FASF

November 1, 2006

Summary of Consolidated Earnings Report for the Interim Period of the Fiscal Year Ending March 31, 2007

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: Hiroyoshi Ohta, Managing Director
Tel: 03-5793-7836
Board of Director's meeting: Nov 1, 2006
Use of U.S. accounting standards: No

1. Consolidated Results of Operations for the Interim Period of FY2007 (April 1, 2006 - Sept 30, 2006)

(1) Business Results

(Millions of yen, rounded down; %)

	Net Sales		Operating Income		Ordinary Income	
FY2007 Interim	4,865	(17.9)	149	(△44.5)	148	(44.8)
FY2006 Interim	4,125	(23.6)	269	(20.8)	269	(△23.6)
(Reference) FY2006 Full year	8,963		637		637	

	Net Income		Net Income per Share	Net Income per Share (Diluted)
FY2007 Interim	86	(△44.1)	608.19	605.89
FY2007 Interim	154	(26.2)	4,366.79	4,348.91
(Reference) FY2006 Full year	371		2,629.67	2,616.09

Notes:
1. Earnings on investments in equity-method affiliates:
   FY06 Interim: n/a FY07 Interim: n/a FY06 Full year: n/a
2. Average number of shares outstanding during the period (consolidated):
   FY07 Interim: 141,767 FY06 Interim: 35,311 FY06 Full year: 141,374
3. Changes in accounting principles: no
4. The percentage figures accompanying net sales, operating income and other items indicate changes from the interim period of the previous fiscal year.
5. At the Board of Directors Meeting held November 9 2006, it was decided that ordinary shares would be split four for one on January 20, 2006. The net income per share and diluted net income per share figures for the FY08 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(Yen)
FY2007 Interim	2,709	1,726	63.7	12,163.86
FY2006 Interim	2,338	1,486	63.6	42,053.72
(Reference) FY2006 Full year	2,829	1,705	60.3	12,039.41

Notes:
1. Number of shares outstanding at end of period (consolidated):
   FY07 Interim: 141,955 FY06 Interim: 35,356 FY06 Full year: 141,679
2. At the Board of Directors Meeting held November 9, 2006, it was decided that ordinary shares would be split four for one on January 20, 2006. 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
FY2007 Interim	58	△30	△62	1,191
FY2006 Interim	113	△25	△84	1,082
(Reference) FY2006 Full Termr	342	△101	△92	1,226

(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 2007 (April 1, 2006 - March 31, 2007)

(Millions of yen, rounded down)

	Net Sales	Ordinary Income	Net Income
Full Term	10,525	500	292

(Reference) Net income per share for the full year is forecast at ¥2,102.01

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 11 of the attached material for forecasts of earnings.

Backs Group Inc. Group Information

1. Description of business

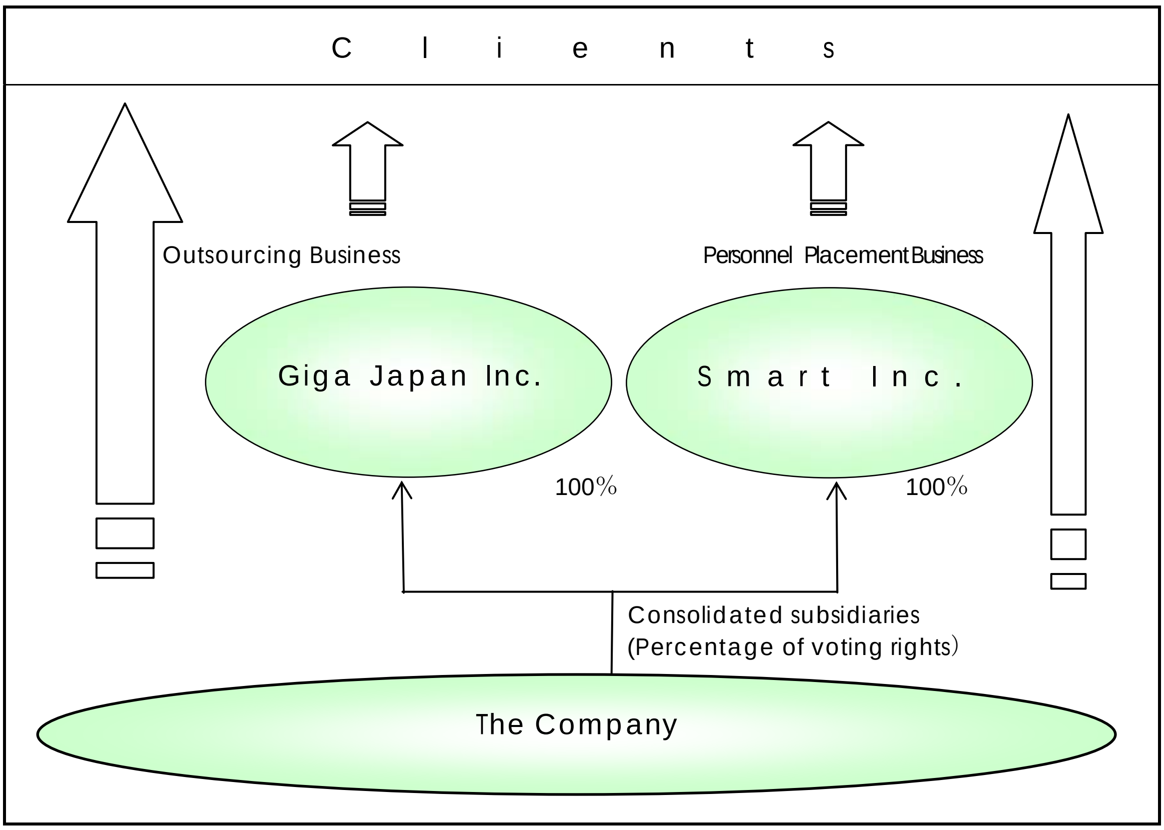
The Back Group Inc., a group of enterprises consisting of the Backs Group Inc and its two subsidiaries, is engaged in the businesses of outsourcing and personnel placement in retail support and sales promotion activities for BtoC (Business to Consumer) companies, including digital consumer electronics manufacturers, mobile phone companies, consumer products companies dealing in liquor and beverages and financial services companies.

In terms of the product categories, the group has exhibited its strength in the retailing of “explanation-type products,” which include “advanced and multiple function products” such as mobile phones, PCs, and printers, “trial-based products” such as beverages and everyday items, and “contract-based products” such as broadband and financial services.

While the Company and Giga Japan Inc., having been commissioned by industry clients to perform their sales promotion activities and by home appliances discount stores/GMSs (General Merchandising Stores) to provide retail support in their sales channels, are mainly involved in the outsourcing business, they are also involved in the personnel placement business to the extent of answering to customer needs. Smart Inc., on the other hand, specializes in offering personnel placement services to the client companies of the enterprise group, centering mainly on placing staff and sales personnel at the exclusive sales shops, such as the DoCoMo Shops, but will also provide outsourcing services if asked by the client.

Business segments	Company name
Outsourcing Business	The Company
	Giga Japan Inc.
	Smart Inc.
Personnel Placement Business	The Company
	Giga Japan Inc.
	Smart Inc.

2. Business diagram



Management Policy

1. Basic management policy

As a partner to its clients in the retail support/sales promotion businesses, the Backs Group Inc. group of companies adheres to and shares with its Group members the basic management philosophy of “contributing to society by growing with our clients and our staff.” Moreover the Group will continue to provide valuable services and make sustained efforts to enhance its enterprise value, thereby fulfilling its responsibilities towards its stakeholders, including the community, its shareholders, its clients, its employees and staff.

At the Group, personnel employed in sales, marketing and customer contact positions are referred to as “orange collar” workers, who are required to be equipped with far greater communication skills than “white collar” and “blue collar” workers. By operating retail/sales organizations comprised of such personnel, the Group has been promoting an unique business that supports the retail and sales activities of its corporate clients. Moreover, by utilizing its experience in over-the-counter retail/sales support and continuing to provide sales/customer contact staff to large discount retailers /GMSs and the restaurant businesses, the Group intends to solidify its position as a “comprehensive orange collar enterprise” and provide a line of comprehensive services.

2. Basic policy on the distribution of profits

Recognizing that returning profit to its shareholders is one of its major management tasks at hand, the Group will uphold the basic policy of sustained payment of stable dividends, while maintaining sufficient internal reserves for the improvement of its finances and for the promotion of corporate growth, mainly in the form of investments into new businesses and capital expenditure. As for shareholder dividends, the Company’s policy has been to decide on the amount of dividends by taking into consideration the Company’s performance and to maintain a payout ratio of more than 20% based on the consolidated net income.

In view of the above policy, the Company intends to issue a full year dividend of 950 yen per share (consolidated payout ratio of 45.2%) for the current term.

3. Thinking and policy concerning the reduction in size of the stock trading unit

By reducing the size of the stock-trading unit, the Company intends to actively pursue the policy of heightening the liquidity of its stocks and promoting participation by a wider range of investors. Most recently on January 20, 2006 the Company implemented a 1 to 4 stock split. The Company will continue to undertake measures to maintain the appropriate levels for its stock-trading unit as the Company’s performance improves and in accordance with its financial standing.

4. Targeted Management Indices

The enhancement of shareholder return being one its top priorities and from the perspective of heightening profitability and capital efficiency for the purpose of increasing its comprehensive enterprise value, the Company has posted consolidated Return on Equity (ROE) as the most important of its management indices. The Company will strive to maintain a consolidated ROE of 20% or more and as a measure of business productivity and soundness it will continue its effort in achieving an Operating Income to Sales Ratio of 8% or more in the medium-term.

5. Medium- and Long-term Management Strategies

Grounded in the management philosophy of “contributing to society by growing with our clients and our staff,” the Group’s basic strategy is to engage in the comprehensive “orange collar” business, “as a partner to our corporate clients in retail support/sales promotion businesses.”

Based on these principles, the Company intends to、

(1) Not limiting itself to BtoC companies, respond to various demands concerning sales promotion and business management arising from the various sales channels.
(2) Optimize its business portfolio by expanding its customer base.
(3) Offer diverse types of employment to prospective workers of a wide-ranging age group

By expanding its business based on the above three pillars, the Company intends to pursue its medium- to long-term management strategy of evolving into a "comprehensive orange collar enterprise" and solidifying its position as the "No. 1 company in the retail support field."

6. Essential Tasks at Hand

From the perspective of business stability and the diversification of risk, the Group, while continuing to take into account the balance of sales segments in its business portfolio, will endeavor to expand its customer base and tap new product sources with a view to constructing new client segments in addition to the existing fields of mobile, digital and financial services and at the same time concentrate on absorbing business demands on a nation-wide basis by utilizing its sales offices around the nation.

Additionally, by building on its expertise in over-the-counter sales promotion acquired over the years, the Group intends to offer temporary staffing and personnel placement services to the various sales channels, in addition to its retail/sales support services of BtoC companies by "orange collar staff." By expanding its customer base, the Group will be able to provide a structure that offers diverse work and types of employment to a wide-ranging age group, thereby enhancing the percentage of a successful match between employment and personnel.

In order to respond to increasing demand and reinforce its personnel providing capabilities, the Group will not only build more branch offices but will also realize the plans for an efficient hiring media and promote the effective use of the Group's own job information site, "digibite®.com". Moreover in order to provide staff with consistent skill levels on a nation-wide scale, the Group will actively utilize e-learning based on its original contents and strive to upgrade and standardize the skill level of its registered staff.

In terms of the temporary staffing business, the Group, in order to respond to client demands, intends to reinforce and expand its structure in its staffing services for mobile phone carrier shops, credit card membership solicitation, etc. Furthermore in its specialized staffing and personnel placement businesses, the Group plans to upgrade its web-based business model by utilizing "appajob.com," the Company's own job information site exclusively intended for the apparel industry (http://www.appajob.com/), realize online want ad placement for the employer, make use of the registered applicants' data and upgrade the management of personal information, etc.

7. Matters related to the parent company

Not applicable since the Company does not have a parent company.

8. Upgrade and management status of the internal control structure

(1) The system of checks and balances, the arrangement status of the operational divisions and administrative divisions of the system, the upgrade status of internal rules and other upgrade status of internal control.

The Company strives for an internal control system that enables the function of mutual checks and balances between the administrative divisions consisting of the Human Resources Department, the General Affairs Department, the Finance/Accounting Department, the IT Strategy Department and the Business Promotion Department and the operational division consisting of the Sales Headquarters, without impairing the speed of operations. To that end, the Company makes optimal use of the advantages of the Business Administration Mainframe System and Electronic Approval Systems and has thus achieved both timely approvals by management and the enhancement of the checking function. Moreover the various internal rules covering the entire company have been comprehensively upgraded, so that each personnel is executing his/her duties with a full awareness of the power and responsibilities entailed by his/her position. Furthermore the Company, in order to further strengthen the inner control structure and enhance the efficiency of operations, is undertaking the revision of various internal rules as needed.

In addition, the Company has established a Compliance Office directly under the supervision of the President that conducts internal audits of the Company's subsidiaries on a regular basis and as needed and gives guidance and instruction on matters not only pertaining to the law but also in respect to the improvement of validity and efficiency.

For details on the upgrade and management status of the Company's internal control structure, please refer to the report on corporate governance, "The Basic Thinking behind the Internal Control Structure and its Maintenance Status," issued separately.

(2) Implementation status of measures for the enhancement of the inner control structure in the past year.

The status of specific efforts made is as follows:

① As part of our efforts in managing our information assets, we have acquired certification in the Information Security Management System.

② We have established the Operations Promotion Department within the Administration Headquarters as a means to strengthen the system of checks and balances in the management of operations.

9. Other significant matters pertaining to the management of the Company

Not applicable.

Operating Results and Financial Condition

1. Outline of Consolidated Business Results for the Current Interim Fiscal Year

The mobile telecommunications industry, which is the principal market for the Group, achieved strong growth, from 44.0% to 62.0% in the percentage of subscriptions for mobile phones accounted for by third-generation handsets. The number of mobile phone subscriptions was 93,810,000 in September 2006, up 5.3% from the previous year. *[1] Also competition among mobile telecoms companies has further intensified as digital terrestrial broadcasting (One Segment Broadcasting) begins, new mobile telecoms operators enter the market, and with the anticipated introduction of number portability on October 24, 2006. In the digital consumer electronics industry, recent study by the Ministry of Internal Affairs and Communication "On the number of broadband subscribers" reveals a healthy upward trend in the number of users. As of the end of the March 2006, the number internet service contracts reached 31.44 million,*[2] while broadband-related demands have increased and demand for other products have also stood firm as new products are introduced.

In the credit card industry, despite high and stable rate growth represented by the volume of shopping credit (the amount of new credit provided) increasing on an average of 10+% in the ten years from 1993 to 2003, the combined market share of the top ten companies remain at slightly less than 80%, increasingly in a state of oligopoly, and as the industry undergoes hierarchic changes as a result of mergers, competition is said to be extremely fierce.*[3]

Although the Group, under such circumstances, directed its sales activities toward the attainment of the projections made at the beginning of the term, due to the heightened competition in response to the introduction of number portability, and falling short in capturing large-scale campaigns, net sales declined, especially in the Kanto region. However as the mobile telecommunications, digital consumer electronics, financial services and the new sectors for the nation as a whole performed strongly, sales increased on a year-on-year basis, yet failed to reach the forecasts made at the beginning of the term.

Additionally, as a result of the failure to capture lucrative large-scale campaigns and the increase in sales by specific clients making up the relatively unprofitable sector, the ratio of gross profit to sales also declined. Despite selling and administrative expenses remaining within the forecasted scope, the failure to attain forecasted net sales necessarily precipitated the rise in the rate of selling, general and administrative expenses to net sales. Consequently, ordinary income and net income both declined compared to the corresponding period of the previous fiscal year.

As a result of these efforts, consolidated net sales for the interim period of fiscal year 2007 were ¥4,865 million (up 17.9% compared to the corresponding period of the previous fiscal year). Ordinary income was ¥148million (down 44.5%), and net income was ¥86million (down 44.1%).

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 2006)" (latest data September 11, 2006).

*3 Source: Excerpt from Monthly Consumer Credit, September 2005 issue.

2. Results by segment

(1) By business segment

① Outsourcing Business

Despite sluggish growth in net sales in the Kanto region, demand at branch office for the rest of the nation remained high and thus sales in the mobile, digital, finance and the new business segments continued to increase. On the other hand, due to the sluggish demand for lucrative campaigns and the increase sales in the segment made up of less profitable clients, the ratio of gross profit to sales declined. As a result, net sales reached 3,994 million yen during the current interim period (an increase of 13.3 % compared to the corresponding period of the previous fiscal year) and operating income declined to 190million yen (a 38.4% compared to the corresponding period of the previous fiscal year).

② Temporary Staffing Business

Temporary staffing has also grown as a result of strong demand by our financial services clients (providing staff to credit card membership promotion operations) in addition to the robust growth in providing retail staff to mobile telephone company shops. Consequently net sales totaled 871 million yen (an increase of 45.2% compared to the corresponding period of the previous fiscal year) and an operating income of 40million yen (an increase of 120.0% compared to the corresponding period of the previous fiscal year).

(2) By region

① Kanto Region *1

In order to create demand for our services in the Kanto region and strengthen efficient staff recruitment, new offices were opened in Utsunomiya, Takasaki and Niigata during the previous period and an organization was put into place that would be responsive to the demands throughout the entire Kanto region. However due to intensified competition in the fulltime personnel market in the mobile sector and the failure to capture large-scale campaigns in the digital and financial services sector resulted in net sales of 2,905 million yen (an increase of 5.4% compared to the corresponding period of the previous fiscal year) for the current interim period.

② National*2

Nationally, the offices in Morioka and Hokuriku, which opened in the previous term, contributed to sales as did the existing branch offices, especially with substantial growth in the mobile and financial services sectors, to achieve net sale of 1,960 million yen (an increase of 43.3% compared to the corresponding period of the previous fiscal year).

(3) By customer industry

① Mobile telecommunications*3

In the wake of the introduction of the number portability system, competition among mobile telecommunications clients intensified as they concentrated on the introduction of new services and functions. Subsequently competition among retail support and temporary staffing enterprises also became heated in an effort to capture these demands. As a result mobile segment sales in the Kanto region were sluggish, while on the national level, sales were brisk, to record net sales of 2,991 million yen (an 18.0% increase compared to the corresponding period of the previous fiscal term) for the current interim period.

② Digital consumer electronics*4

Since the industry is in a transition period from one product to another, there was a shortage of orders for large-scale campaigns. Moreover we fell short in capturing new campaigns for large-scale digital product deals. However as a result of sustained sales activities by each branch office for the purpose of cultivating the demands of their existing clients, net sales totaled 1,038 million yen (an 16.4% increase compared to the corresponding period of the previous fiscal year) for the current interim period.

③Financial services*5

In the financial services sector, there was continued activity in the issue of credit cards linked to the distribution sector. Despite the shortage of orders for large-scale campaigns and stagnant sales to the financial services sector of the Kanto region during the current interim term, as a result of sustained sales activities by each branch office for the purpose of cultivating the demands of their existing clients and net sales for the financial services sector doubling compared to the corresponding period of the previous fiscal year, net sales totaled 650 million yen (an 21.3% increase compared to the corresponding period of the previous fiscal year) for the current interim period.

④New Sectors*6

In the new sectors, strong demands by consumer products manufacturers resulted in net sales of 186 million yen (an 15.3% increase compared to the corresponding period of the previous fiscal year) for the current interim period.

Notes:
*1: Includes Tokyo, Kanagawa, Saitama, Chiba, Ibaraki, Tochigi, Gunma and Niigata.
*2: Indicates all other regions not listed in note 1 above.
*3: Indicates all mobile telecommunications customers, including carriers and agents.
*4: Indicates PCs, digital consumer electronic products (printer, digital cameras, security software) and broadband service providers (Broadband, optical fibers)
*5: Indicates the financial industry including banks and credit card companies.
*6: Indicates producers of general consumer goods, apparel , call centers, other than those indicated in *3、*4、*5

３. Statement of Cash Flows

At the end of the interim consolidated fiscal year, the balance of cash and cash equivalents (hereinafter “cash”) decreased by 35 million yen compared to the end of the previous consolidated fiscal year to total 1,191 million yen.

（Cash flow by operating activities）

Cash flow provided by operating activities during the current interim consolidated fiscal year was 58 million yen (down 48.7% from the previous interim consolidated fiscal year). This was due primarily to the collection of accounts receivable.

（Cash flow by investing activities）

Cash flow used in investing activities during the current interim consolidated fiscal year was 30 million yen (up 21.7% from the previous interim consolidated fiscal year). The main uses of cash included the payment of 16 million yen for the acquisition of plant, property and equipment and 7 million yen for the acquisition of intangible fixed assets.

（Cash flow by financing activities）

Cash used in financing activities during the current interim consolidated fiscal year was 62 million yen (down 25.2% compared to the previous interim consolidated fiscal year). This was due mainly to the payment of 86 million yen in dividend payments and 23 million yen income from the issue of shares.

Trends in cash flow indicators are as follows:

	FY 2005		FY 2006		FY 2007
	Interim	Year-end	Interim	Year-end	Interim
Equity ratio（%）	64.8	61.7	63.6	60.3	63.7
Equity ratio (market value basis)（%）	460.3	504.4	503.4	1,056.5	438.5
Amortization period（years）	0.2	0.1	0.0	—	—
Interest coverage ratio（times）	222.7	391.3	518.3	1,563.4	505.5

Equity ratio = Shareholders' equity / total assets

Equity ratio (market value basis) = Market capitalization / total assets

Amortization period = Interest-bearing debt / Cash flow by operating activities

（For the interim period, the amount of cash flow by operating activities has been doubled to achieve the full year amount）

Interest coverage ratio = Cash flow by operating activities / interest payment

Each index is calculated on the basis of the consolidated financial figures.

Market capitalization is calculated from the year-end closing price of shares × number of shares outstanding at year-end (less treasury stock).

Cash flow by operating activities and interest payment refer to cash flow by operating activities and interest payment included in the consolidated (interim) statement of cash flow.

4. Outlook for the Full Fiscal Year

As stated in the "Notice of Changes to Forecast of Interim and Annual Consolidated and Non-consolidated Results for Fiscal Year 2007," issued on October 11, 2006, despite the promise of increased orders for campaigns in response to the mobile number portability and for credit card membership promotion operations and the Company's business initiatives aimed at improving business efficiency and profitability by establishing new departments devoted to sales, we expect the fruits of these endeavors to take a certain amount of time before they materialize. And in view of these factors, for FY 2007 we predict consolidated net sales of 10,525 million yen (an increase of 17.4% compared to the previous fiscal year), consolidated ordinary income of 500 million yen (a decrease of 21.5% compared to the previous fiscal year) and a consolidated net income of 292 million yen (a decrease of 21.3%).

5. Business risks and uncertainties

Risks inherent in the business activities and other aspects of the Group that may significantly affect the judgment of the investors include those described below. Please be advised that forward looking statements included below have been deemed to be true by the Group at the time of announcement of the Kessan Tanshin Financial Report (November 1, 2006).

(1) On the management of personal information

As the Group is faced with numerous opportunities to come in contact with personal information including staff information and consumer information, we practice ample management in regards to its handling. We are making efforts to provide adequate education and training to operational staff who come into contact with personal information and we are also striving to emphasize its importance in the communication that takes places in everyday operations between staff and the administrative managers.

Moreover in order to establish and operate an appropriate management structure, the Group has acquired certification in the domestic standards (Criteria for the Certification of Information Security Management Systems (Ver. 2.0)) and in the international standards ((BS7799-2:2002) of the Information Security Management Systems (ISMS) in February 2006. As a result, we are now able to maintain an environment that allows for the appropriate use of internal administrative structures, including the in-house network and mainframe systems, while maintaining and sustaining high levels of security.

However, despite these efforts by the Group, in the event that leaks and abuse of personal information occur, business relationships with our clients may deteriorate as a result of loss in the Group's trust and the Group may be sued for damages resulting from the leak of personal information, which, in turn, may materially affect the performance of the Group.

Based on the "Law on the Protection of Personal Information," which was enacted in April 2005, we intend to further reinforce our internal administrative structures and pay adequate attention in the handling of personal information.

(2) Dependency on particular client industries

The Group's strength lays in the sales of "explanation-type products" and in particular sales to mobile telecommunications companies and their primary agents account for a major portion of total sales. For the current consolidated fiscal year the ratio of sales to the particular industry to total sales account for 61.5 % as seen in the table below. Consequently the Company, aware that dependency on particular client industry will not lead to stable and sustained demand, is continuing its efforts to capture new digital clients as well as cultivating new segments.

However changes may occur in the business environment, such as corporate reorganization/reduced sales activities in the mobile telecommunications industry, to which the Group is incapable of adopting, materially affecting the performance of the Group.

(Transitions in sales component percentages) (Unit：%)

	FY 2005		FY 2006		FY 2007 interim period
	Interim period	End of term	Interim period	End of term	Interim period
Mobile	59.7	61.2	61.5	59.8	61.5
Non-mobile	40.3	38.8	38.5	40.2	38.5

(3) Increased sales component percentages to a particular client

The Group's sales to KDDI Corporation during the current consolidated fiscal year accounted for 30.0% of total sales. The reason for the high percentage of sales to this particular client lays mainly in the fact that the contents for the orders received from this particular client overlaps both mobile sales (au) and digital sales (DION) and that nation-wide sales from national bulk orders have increased. Although the risk borne by the Group is deemed to be low, there is a possibility that the Group may be materially affected by the performance of this client.

(Unit: thousands of yen)

	FY 2005			FY 2006			FY 2007 interim period		
	Sales	Sales component percentages (%)	Composition ratio (%)	Sales	Sales component percentages (%)	Composition ratio (%)	Sales	Sales component percentages (%)	Composition ratio (%)
Consolidated	6,933,695	100.0		8,963,331	100.0		4,865,391	100.0	
K D D I	2,457,218	35.4	(100.0)	2,578,900	28.8	(100.0)	1,461,203	30.0	(100.0)
(Mobile)	1,769,659	25.5	(72.0)	2,284,252	25.5	(88.6)	1,368045	28.1	(93.6)
(Digital)	687,559	9.9	(28.0)	294,647	3.3	(11.4)	93,157	1.9	(6.4)
(Kanto Region)	1,479,438	21.3	(60.2)	1,420,895	15.9	(55.1)	704,141	14.5	(48.2)
(National)	977,780	14.1	(39.8)	1,158,005	12.9	(44.9)	757,102	15.6	(51.8)

(4) Social insurance coverage

If as a result of Diet deliberations, requirements for the coverage of Koseinenkin employee pension plan should be changed to include short-term laborers, it is possible that the number of Group staff to be included in the pension plan will increase. However in our outsourcing business, we are actively promoting the hiring of staff, who are currently eligible for pension plan coverage, as contract employees and encouraging them to join social insurance. In our temporary staffing business, changes in the coverage requirements will have minimal effects since we are encouraging all of our staff whose contracts extend over two months and who are currently eligible for coverage to join.

(5) Securing staff

Staff with high communications skills are indispensable to the Group’s main business of selling mobile and digital “explanation-type products.” Consequently the Group upholds the policy of seeking staff who are not only experienced in the “paper” medium but those who are “digitally-oriented” and are capable of handling the main products. And to this end, the Group will formulate a WEB-based hiring strategy, while making effective use of the Group’s own job information site “digibite®.com” and “appareljob.com.” Moreover we intend expand our customer base and build a structure that provides diverse operations and employment styles to a wide age group through our temporary staffing and personnel placement operations for sales channels, thereby enhancing the percentage of successful matches between employment and personnel.

However in cases where, due to drastic rise in demands and lopsided supply, staff satisfying the clients’ needs cannot be adequately secured, there is the possibility that the Group’s growth strategy will be materially affected.

(6) On laws and regulations

The Labor Standards Law, the Law for Worker Dispatching Undertaking, the Workers’ Accident Compensation Insurance Law, the National Health Insurance Act, the Employee’s Pension Insurance Act and other related laws may be revised or its interpretation altered according to the changes in the social climate surrounding the labor market. In such cases there is the possibility that the Group’s performance will be materially affected.

(7) On business approvals and licenses

The Group has obtained licenses from the Minister of Health, Labor & Welfare to engage in general dispatching undertakings and in fee-charging employment services.

The Law for Worker Dispatching Undertakings stipulates that in the general dispatching undertakings, once the employer falls under any of the disqualification provisions or violates any provision of the law, the license may be revoked or the undertaking ordered to be suspended. In the Employment Security Law also, there are stipulations to the effect that operators of fee-charging employment services may be disqualified or ordered suspension in a similar way.

Although the Group, by implementing employee training and monitoring in the compliance divisions, is making every effort to prevent law violations, in the event of a significant law violation by the Group or by its employee, licenses may be revoked or operations subject to suspension causing the Group to become incapable of continuing its employee placement business, which, in turn, could materially affect the performance of the Group.

Interim Consolidated Balance sheet and Income statement

１． Interim Consolidated Balance Sheet

(Unit：Thousands of yen)

Accounts	Interim of FY2006 (As of Sep 30,2005) Amount		Ratio (%)	Interim of FY2007 (As of Sep 30,2006) Amount		Ratio (%)	FY2006 (As of March 31,2006) Amount		Ratio (%)
Assets									
Ⅰ Current Assets									
1 Cash and cash equivarents		1,082,868			1,191,357			1,226,586	
2 Notes and accounts receivable		914,514			1,095,698			1,211,778	
3 Deferred tax assets		14,544			28,594			25,103	
4 Others		46,637			58,450			32,448	
Allowance for doubtful accounts		△977			△1,336			△982	
Total currents assets		2,057,588	88.0		2,372,764	87.6		2,494,933	88.2
Ⅱ Fixed Assets									
1 Property and equipment									
(1) Buildings and structures	45,323			37,397			41,347		
(2) Marchinery, tools and equipment	24,783	70,107		32,684	70,082		22,731	64,078	
2 Intangible fixed assets									
(1) Software	50,484			68,224			74,129		
(2) Others	3,238	53,723		3,238	71,463		3,238	77,368	
3 Investments and other assets									
(1) Deposits and guarantees	－			30,000			30,000		
(2) Deposits and guarantees	157,100			164,943			162,898		
(3) Others	389	157,489		177	195,120		283	193,182	
Total fixed assets		281,320	12.0		336,665	12.4		334,628	11.8
TOTAL ASSETS		2,338,909	100.0		2,709,430	100.0		2,829,562	100.0

(Unit : Thousands of yen)

Accounts	Interim of FY2006 (As of Sep 30,2005) Amount		Ratio (%)	Interim of FY2007 (As of Sep 30,2006) Amount		Ratio (%)	FY2006 (As of March 31,2006) Amount		Ratio (%)
LIABILITIES									
Ⅰ Current Liabilities									
1 Notes and accounts payable, trade		2,504			35,803			46,012	
2 Short-term debt		8,700			―			―	
3 Accrved payable		110,159			76,450			192,129	
4 Income taxes payable		81,949			75,150			137,987	
5 Accrued expenses		491,630			559,379			604,733	
6 Provision for bomuses		―			38,315			―	
7 Others		157,115			197,610			142,957	
TOTAL CURRENT LIABILITIES		852,059	36.4		982,710	36.3		1,123,821	39.7
TOTAL LIABILITIES		852,059	36.4		982,710	36.3		1,123,821	39.7
SHAREHOLDERS' Equity									
Ⅰ Capitalization		394,579	16.9		―	―		395,240	14.0
Ⅱ Capital surplus		420,559	18.0		―	―		421,219	14.9
Ⅲ Retained earnings		713,719	30.5		―	―		931,290	32.9
Ⅳ Treasury stock		△42,008	△1.8		―	―		△42,008	△1.5
TOTAL LIABILITIES		1,486,849	63.6		―	―		1,705,741	60.3
TOTAL LIABIRITIES AND SHAREHOLDERS' EQUITY		2,338,909	100.0		―	―		2,829,562	100.0
NET ASSETS									
Ⅰ Shareholders' equity									
1 Capitalization		―	―		406,970	15.0		―	―
2 Capital surplus		―	―		432,958	16.0		―	―

3 Retained earnings		－	－		928,961	34.3		－	－
4 Treasury stock		－	－		△42,169	△1.6		－	－
Total Shareholders’ equity		－	－		1,726,720	63.7		－	－
TOTAL NET ASEETS		－	－		1,726,720	63.7		－	－
TOTAL LIABILITIES AND NET ASSETS		－	－		2,709,430	100.0		－	－

2. Interim Consolidated Statement of Income

(Unit : Thousands of yen)

Item	Interim of FY2006 (From Apr 1,2005 to Sep 30,2005) Amount		Ratio (%)	Interim of FY2007 (From Apr 1,2006 to Sep 30,2006) Amount		Ratio (%)	Interim of FY2006 (From Apr 1,2005 to Mar 31,2006) Amount		Ratio (%)
Ⅰ Net sales		4,125,624	100.0		4,865,931	100.0		8,963,331	100.0
Ⅱ Cost of sales		3,069,497	74.4		3,718,230	76.4		6,680,170	74.5
Gross profit on sales		1,056,127	25.6		1,147,700	23.6		2,283,161	25.5
Ⅲ Seling, general and administrative expenses		786,370	19.1		997,987	20.5		1,645,501	18.4
Operatinga Income		269,756	6.5		149,712	3.1		637,660	7.1
Ⅳ Non-perating income									
1 Interest received	4			62			7		
2 Commissions receivable	903			126			1,088		
3 Revenue from contract penalties	163			16			802		
4 Gain on exemption from consumption tax	―			108			―		
5 Others	268	1,339	0.0	3	318	0.0	189	2,089	0.0
Ⅴ Non-operaing income									
1 Interest expense	218			115			218		
2 Fee to establish a commitment line	895			842			1,793		
3 Others	175	1,289	0.0	99	1,057	0.0	487	2,500	0.0
Ordinary income		269,807	6.5		148,973	3.1		637,249	7.1
Ⅵ Extraordinary gains									
1 Reversal of allowance for doubtful receivables	96			―			91		
2 Gain on sales of marketable securities	―	96	0.0	72	72	0.0	―	91	0.0
Ⅶ Extraordinary losses									

1 Loss on sale of fixed assets	58			815			198		
2 Expenses for restoration to original state	—			—			360		
3 Loss on prior-term adjustments	6,873	6,931	0.1	—	815	0.1	6,873	7,431	0.1
Income before income taxes and minority interests		262,971	6.4		148,229	3.0		629,908	7.0
Deferred income taxes	100,848			65,500			260,772		
Income tax adjustmnt	7,924	108,773	2.7	△3,491	62,008	1.2	△2,633	258,139	2.9
Net income		154,198	3.7		86,220	1.8		371,769	4.1

３．Interim Consolidated Statement of Retained Earnings

(Unit：Thousands of yen)

	Interim of FY2006 (As of Sep 30,2005)		FY2006 (As of March 31,2006)	
Item	Amount	Amount	Amount	
Capital Surplus				
Capital surplus at the beginning of the period		419,652		419,652
Increases in capital surplus				
1New stock issued through exercise of preemptive rights	907	907	1,567	1,567
Capital surplus at the end of the period		420,559		421,219
Retained Earnings				
Retained earnings at the beginning of the period		630,054		630,054
Increases in retained earnings				
Net income	154,198	154,198	371,769	371,769
Decreases in retained earnings				
Cash dividends	70,534	70,534	70,534	70,534
Retained earnings at the end of the period		713,719		931,290

4. Interim Consolidated Statement of Changes in Shareholders' Equity

(Unit: Thousands of yen)

	Shareholders' equity					
	Capital Stock	Total Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity	Total Net Assets
Balance as of March (thousands of yen)	395,240	421,219	931,290	△42,008	1,705,741	1,705,741
Changes during the first half of the fiscal 2007						
Capitalization issue	11,730	11,730	—	—	23,460	23,460
Dividends	—	—	△88,549	—	△88,549	△88,549
Interim Net Income	—	—	86,220	—	86,220	86,220
Treasury stock acquisition	—	—	—	△165	△165	△165
Treasury stock disposal	—	9	—	4	13	13
Total changes during the first half of the fiscal 2007	11,730	11,739	△2,329	△161	20,979	20,979
Balance as of September 30, 2006 (thousands of yen)	406,970	432,958	928,961	△42,169	1,726,720	1,726,720

Note: This is the item regarding the surplus appropriation which was approved in the annual general meeting of stockholders held in June 2006.

5 Interim Consolidated Sratment of Cash Flows

(Unit：Thousands of yen)

Item	Interim FY2006 (From Apr 1,2005 to Sep 30,2005) Amount	Interim FY2007 (From Apr 1,2006 to Sep 30,2006) Amount	FY2006 (From Apr 1, 2005 to Mar 31,2006) Amount
Ⅰ Cash flow from operating activities			
Income before income taves and minority interests	262,971	148,229	629,908
Depreciation and amortization	18,937	22,048	41,889
Changes in provision for doubtful accounts（△=decrease）	△96	354	△91
Changes in provision for bonuses	―	38,315	―
Interest and dividednd income	△5	△63	△8
Interest expenses	218	115	218
Gain on retirement of fixed assets	58	815	198
Changes in accounts receivable（△=increase）	△38,511	116,079	△335,775
Changese in purchase liabilities（△=decrease）	△500	△10,208	43,007
Changes in consumption tax payable（△=decrease）	△24,166	△62,836	31,870
Changes in accurued expenses（△=decrease）	9,286	△45,354	122,389
Others	17,269	21,968	12,760
Subtotal	245,461	229,463	546,368
Interest and divideds received	5	63	8
Interest expenses paid	△218	△115	△218
Income taxes paid	△131,854	△171,203	△204,113
Net cash from operating activities	113,393	58,208	342,045
Ⅱ Net cash from operating activities			
Payments for purchases of property and equipment	△7,394	△16,926	△16,560
Payments for purchases of intangible fixed assets	△5,399	△7,348	△36,978
Payments for purchases of marketable securities	―	△4,230	△30,000
Payments for deposits and	△12,628	△2,044	△20,309

guarantees Proceeds from return of deposits and guarantees	300	—	1,922
Net cash from investing activities	△25,122	△30,549	△101,926
Ⅲ　Net cash flows from financing activities			
Repayments of long-term debt	△16,600	—	△25,300
Payments for deposits and guarantees	1,815	23,460	3,135
Proceeds from return of deposits and guarantees	△69,257	△86,195	△70,006
Payments for purchase and proceeds from sale of treasury stock	—	△151	—
Net cash flivitiesows from financing act	△84,042	△62,887	△92,171
Ⅳ　Change in cash and cash wquivarents(△=decrease)	4,229	△35,228	147,947
Ⅴ　Cash and cash equivarents at the beginning of the period	1,078,639	1,226,586	1,078,639
Ⅵ　Cash and cash equivarents at the end of the period	1,082,868	1,191,357	1,226,586

6. Segment Information

Industry segments

Previous consolidated interim period (April 1, 2005 – September 30, 2005) (Unit: Thousands yen 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	6000,304	4,135,841	(10,216)	4,125,624
Operating expenses	3,225,777	581,904	3,807,682	48,185	3,858,867
Operating income	309,759	18,399	328,159	(58,402)	269,756

Current consolidated interim period (April 1, 2006 – September 30, 2006) (Unit: Thousands of yen)

	Outsourcing business	Temporary Staffing	Total	Eliminations and corporate	Consolidated
Sales					
(1) Sales to external clients	3,994,674	871,256	4,865,931	—	4,865,931
(2) Internal sales or transfers between segments	8,670	0	8,670	(8,670)	—
Total	4,003,344	871,256	4,874,601	(8,670)	4,865,931
Operating expenses	3,812,612	830,787	4,643,399	72,819	4,716,218
Operating income	190,732	40,469	231,201	(81,489)	149,712

Previous consolidated fiscal year (April 1, 2005 – March 31, 2006) Unit: Thousand yen

	Outsourcing business	Temporary Staffing	Total	Eliminations and corporate	Consolidated
Sales					
(1) Sales to external clients	7,631,990	1,331,341	8,9363,331	—	8,963,331
(2) Internal sales or transfers between segments	19,021	73	19,095	(19,095)	—
Total	7,651,011	1,331,415	8,982,426	(19,095)	8,963,331
Operating expenses	6,982,380	1,236,830	8,219,211	106,460	8,325,671
Operating income	668,631	94,584	763,215	(125,555)	637,660

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, ¥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 interim period of the current fiscal year, ¥81,489 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, ¥125,555 million of unallocated expenses was included in the "Eliminations and corporate" item. These were mainly expenses associated with the parent company's management department.

7. 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	3,994 ,674	113.3%
Temporary staffing	871,256	145.2%
Total	4,865,931	117.9%

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

(Unit: Thousands of yen)

Clients	Interim of FY2006		Interim of FY2007	
	Amount	Share	Amount	Share
KDDI	1,184,823	28.7%	1,461,203	30.0%

Note: Amounts do not include consumption tax.