



January 22, 2007

**Summary of Consolidated Earnings Report  
for the Third Quarter of the Fiscal Year Ending March 31, 2007**

**Company:** Backs Group Inc. (URL: <http://www.backs.co.jp/>)  
Code No.: 4306  
**Stock Listings:** JASDAQ  
**Representative:** Yukiko Nishioka (President)  
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**1. Items pertaining to the preparation of Third quarter results:**

- |  |   |    |
|--|---|----|
| (1) Use of simplified accounting procedures:                               | : | No |
| (2) Changes in accounting principles in the most recent fiscal year        | : | No |
| (3) Changes in scope of consolidation or application of the equity method: | : | No |
| (4) Audit or review by certified public accountant or auditing firm:       | : | No |

**2. Consolidated Results of Operations for 3Q of FY2007 (April 1, 2006 – December 31, 2006)**

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

	Net Sales	Operating Income	Ordinary Income	Net Income
	%	%	%	%
FY 2007 3Q	7,496 ( 14.1 )	265 ( 42.6 )	261 ( 43.3 )	148 ( 43.8 )
FY 2006 3Q	6,572 ( 28.7 )	462 ( 39.5 )	461 ( 41.1 )	264 ( 50.1 )
(Reference) FY2006 full year	8,963	637	637	371

	Net Income per Share (yen)	Net Income per Share (Diluted) (yen)
FY 2007 3Q	1,052 58	1,049 83
FY 2006 3Q	1,870 41	1,862 61
(Reference) FY2006 full year	2,629 67	2,616 09

Notes:

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

***Qualitative Information regarding Consolidated Business Results***

**1. Outline of Consolidated Business Results for the Third Quarter of Fiscal Year 2007**

The mobile telecommunications industry, the principal market in which the Backs Group operates, achieved robust growth from 47.7% to 66.6% in subscriptions for third-generation (3G) handsets. The number of mobile phone subscriptions was 94,930,000 at the end of December 2006, a 5.3% increase compared to the corresponding period of the previous fiscal year.<sup>\*1</sup> 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, the 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 June 2006, this number was 30.24 million.\*<sup>2</sup> Demand for broadband has remained at a steady pace. In addition, demand for other products remained firm due to new market introductions.

The number of cards issued in the credit card industry as of March 2005 had grown 1.0% year-on-year to 273.38 million, with steady growth by type of issuer to 78.61 million cards by retailers, 67.78 million cards by consumer credit companies and 4.39 million cards by gasoline retailers. All issuers are increasing their cardholder numbers by measures that include co-branding with companies in other lines of business and with local financial institutions. \*<sup>3</sup>

Against this backdrop, the company was able to increase its sales compared to the level in the previous fiscal year due to higher demand in both the mobile telecommunications and digital consumer electronics areas, and despite a year-on-year decline in the financial and new businesses segments caused by a reduction in contracts for large-scale campaigns.

Both the gross profit margin and cost of sales and general administration ratio exhibited a recovery trend, but the improvements did not make up for performance in the first half, and the gross profit margin declined while the cost of sales ratio increased, both compared to the corresponding period of the previous fiscal year. As a consequence, recurring profit and net profit both declined in the quarter.

As a result of these factors, consolidated sales during the third quarter were ¥7,496 million (+14.1% compared to the corresponding period of the previous fiscal year), consolidated recurring profit was ¥261 million (-43.3% compared to the corresponding period of the previous fiscal year) and consolidated net profit for the quarter was ¥148 million (-43.8% compared to the corresponding period of the previous fiscal year).

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 September 2006)" (latest data December 20, 2006).
3. Source: Excerpt from Monthly Consumer Credit, September 2006 issue.

## **2. Earnings in the main business segments**

### **(1) By Segment**

#### **[1] Outsourcing**

In the outsourcing operations there was a reduced level of demand for campaigns in digital consumer electronics, new business and financial areas, resulting in sales during the third quarter of ¥6,116 million (+8.7% compared to the corresponding period of the previous fiscal year) and operating profit of ¥313 million (-36.2% compared to the corresponding period of the previous fiscal year).

#### **[2] Temporary Staffing**

Increased demand in the mobile telecommunications, digital consumer electronics and financial areas of the temporary staffing segment led to third quarter sales of ¥1,380 million (+46.4% compared to the corresponding period of the previous fiscal year), and operating profit of ¥70 million (+16.4% compared to the corresponding period of the previous fiscal year).

(2) By Region

[1] Kanto Region \*1

While there was an undertone of recovery in the mobile telecommunications market, which had been lagging in the first half, demand in both the financial and new business areas demand fell relative to a year earlier, and third quarter sales in the region came to ¥4,458 million (+3.7% compared to the corresponding period of the previous fiscal year).

[2] National \*2

For the nation as a whole, sales stalled in the digital consumer electronics and new business areas, but as a result of significant growth in the mobile telecommunications and financial areas third-quarter sales were ¥3,038 million (+33.8% compared to the corresponding period of the previous fiscal year).

### (3) By Client Industry

#### [1] Mobile telecommunications \*3

Market competition increased in the mobile telecommunications area, with each carrier launching new terminals and service menus in response to the start of the system of mobile number portability. This led to a recovery in the Kanto region from the decline of the first half, and sales in the third quarter amounted to ¥4,735 million (+20.1% compared to the corresponding period of the previous fiscal year).

#### [2] Digital consumer electronics \*4

The company did not sign any new large-scale contracts in the digital consumer electronics area, but on the strength of the usual firm year-end demand, sales came to ¥1,596 million (+10.6% compared to the corresponding period of the previous fiscal year).

#### [3] Finance \*5

The company posted solid sales growth in October-December 2005 due to demand for major campaigns linked to the issuance of co-branded cards. However, it was not able to secure such contracts this year, and sales during the third quarter were down slightly to ¥895 million (-0.8% compared to the corresponding period of the previous fiscal year).

#### [4] New business \*6

As a result of a decline in demand for large campaigns from consumer goods makers and others, the new business segment posted sales of ¥268 million (-5.2% compared to the corresponding period of the previous fiscal year) in the third quarter.

#### 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 manufacturers of personal computers and digital consumer electronics (printers, digital cameras, security software, etc.), as well as broadband service (ADSL, optical fiber) providers.
5. Indicates the financial industry such as banks and credit-card firms
6. Indicates consumer products manufacturers, apparel companies, and call centers excluding 3, 4, 5, above.

### Changes in the Company's Financial Condition (Millions of yen, rounded down; except as indicated)

	Total Assets (¥mn)	Shareholders' Equity (¥mn)	Equity Ratio %	Shareholders' equity per share (yen)
FY2007 3Q	2,929	1,632	55.7	11,750 54
FY2006 3Q	2,603	1,596	61.3	11,291 96
(Reference)FY2006 Full Year	2,829	1,705	60.3	12,039 41

### Consolidated Cash Flows (Millions of yen, rounded down; except as indicated)

	Cash flow from Operating Activities (¥mn)	Cash flow from Investing Activities (¥mn)	Cash flow from Financing Activities %	Cash and Cash Equivalents, end of period (yen)
FY2007 3Q	20	43	79	1,243
FY2006 3Q	125	72	93	1,038
(Reference)FY2006 Full Year	342	101	92	1,226

***Qualitative data related to changes in the financial condition (consolidated)***

**1. Changes in financial condition**

Total assets as of the end of the third quarter were ¥2,929 million, representing an increase of ¥326 million from the end of the previous consolidated accounting year. In addition, shareholders' equity increased ¥35 million to ¥1,632 million.

**2. Consolidated cash flow statement**

The balance of consolidated cash and cash equivalents was ¥1,243 million at the end of the third quarter (+1.3% from the end of the previous consolidated accounting year). This was mainly due to an increase in short-term borrowing and payment of corporate tax.

**(1) Cash flow from operating activities**

Cash used from operating activities during the third quarter totaled ¥20 million (compared to ¥125 million gained as of the end of the corresponding period of the previous fiscal year). The major reason was payment of corporate tax.

**(2) Cash flow from investment activities**

Cash used for investment activities was ¥43 million (a decline of 32.2% compared to the end of the corresponding period of the previous fiscal year). The major reason was acquisition of fixed assets for strengthening of the core system, and intangible fixed assets.

**(3) Cash flow from financial activities**

Cash gained from financial activities was ¥79 million (compared to outflow of ¥93 million as of the end of the corresponding period of the previous fiscal year). The major reason was an increase in short-term borrowing and payments for share buybacks.

○ Attachments

(Summary) Quarterly Consolidated Balance Sheet, (Summary) Quarterly Consolidated Earnings Statement, etc.

【For Reference】

**Forecasts for Fiscal Year 2007 (April 1, 2006 - March 31, 2007)**

(Millions of yen, rounded down)

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

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

Notes:

1. 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.

***Qualitative data for earnings forecasts***

As detailed in the Notice of Changes to Forecast of Interim and Annual Consolidated and Non-consolidated Results for Fiscal Year 2007 announced on October 11 2006, we anticipate an increase in sales during the second half as a result of increased campaign demand from the introduction of mobile number portability and credit card enrollment activities, and aims to improve business efficiency and profitability through efforts such as the start up of dedicated new marketing departments. However, some time is expected to be required for these efforts to come to fruition.

In view of these factors and the results for the first half, our forecasts for the March 2007 term are consolidated sales of ¥10,525 million (+17.4% compared to the corresponding period of the previous fiscal year), consolidated recurring profit of ¥500 million (-21.4% compared to the corresponding period of the previous fiscal year), and consolidated net profit of ¥292 million (-21.4% compared to the corresponding period of the previous fiscal year).

(Supplementary material)

## 1. Consolidated for the 3Q Balance Sheets (abbreviated)

( Thousands of yen; %)

Item	FY2007 3Q	FY2006 3Q	Change		( Reference ) FY 2006 (full year)
	Amount	Amount	Amount	%	Amount
<b>ASSETS</b>					
Current Assets					
1. Cash and Cash equivalents	1,243,018	1,038,783	204,234	19.7	1,226,586
2. Notes and accounts receivable	1,241,189	1,160,888	80,301	6.9	1,211,778
3. Deferred tax assets	15,870	15,115	755	5.0	25,103
4. Others	86,213	46,139	40,073	86.9	32,448
Allowance for doubtful accounts	1,386	1,070	315	29.4	982
<b>Total current assets</b>	2,584,905	2,259,856	325,048	14.4	2,494,933
<b>Fixed Assets</b>					
1. Property and equipment					
( 1 ) Buildings and structures	35,350	44,810	9,459	21.1	41,347
( 2 ) Machinery, tools and equipment	34,231	24,611	9,620	39.1	22,731
<b>Total property and equipment</b>	69,582	69,421	160	0.2	64,078
2. Intangible fixed assets					
( 1 ) Software	77,046	77,063	17	0.0	74,129
( 2 ) Others	3,238	3,238	-	-	3,238
<b>Total intangible fixed assets</b>	80,285	80,302	17	0.0	77,368
3. Investments and other assets					
( 1 ) Deposits and guarantees	30,000	30,000	-	-	30,000
( 2 ) <b>Total investments and other assets</b>	164,943	163,158	1,784	1.1	162,898
( 3 ) Others	123	336	212	63.2	283
<b>Total investments and other assets</b>	195,067	193,495	1,572	0.8	193,182
<b>Total fixed assets</b>	344,934	343,218	1,715	0.5	334,628
<b>TOTAL ASSETS</b>	2,929,840	2,603,075	326,764	12.6	2,829,562

Note: Figures have been rounded down to the nearest thousands of yen.

(Thousands of yen; %)

Item	FY2007 3Q	FY2006 3Q	Change		(Reference) FY 2006 (full year)
	Amount	Amount	Amount	%	Amount
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
<b>Current Liabilities</b>					
1. Notes and accounts payable, trade	35,143	5,248	29,895	569.6	46,012
2. Short-term debt	300,000	-	300,000	-	-
3. Accounts payable	86,031	108,562	22,530	20.8	67,127
4. Consumption tax payable	15,033	108,875	93,841	86.2	192,129
5. Consumption tax payable	86,941	111,411	24,470	22.0	137,987
6. Accrued expenses	624,424	611,552	12,871	2.1	604,733
7. Provision for bonuses	23,336	-	23,336	-	-
8. Others	126,132	60,473	65,659	108.6	75,830
<b>Total current liabilities</b>	<b>1,297,044</b>	<b>1,006,123</b>	<b>290,920</b>	<b>28.9</b>	<b>1,123,821</b>
<b>Total Liabilities</b>	<b>1,297,044</b>	<b>1,006,123</b>	<b>290,920</b>	<b>28.9</b>	<b>1,123,821</b>
<b>SHAREHOLDERS' EQUITY</b>					
Capitalization	-	394,579	-	-	395,240
Capital surplus	-	420,559	-	-	421,219
Retained earnings	-	823,821	-	-	931,290
Treasury stock	-	42,008	-	-	42,008
<b>Total shareholders' equity</b>	<b>-</b>	<b>1,596,952</b>	<b>-</b>	<b>-</b>	<b>1,705,741</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>-</b>	<b>2,603,075</b>	<b>-</b>	<b>-</b>	<b>2,829,562</b>
<b>Net Assets</b>					
Shareholder's equity					
1. Capitalization	406,970	-	-	-	-
2. Capital surplus	432,958	-	-	-	-
3. Retained earnings	991,154	-	-	-	-
4. Treasury stock	198,286	-	-	-	-
<b>Total Shareholders' Equity</b>	<b>1,632,796</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Net Assets</b>	<b>1,632,796</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Liabilities and Net Assets</b>	<b>2,929,840</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Note: Figures have been rounded down to the nearest thousands of yen.

## 2. Consolidated 3Q Statements of Income (abbreviated)

(Thousands of yen; %)

Item	FY2007 3Q	FY2006 3Q	Change		(Reference) FY 2006 (full year)
	Amount	Amount	Amount	%	Amount
Net sales	7,496,933	6,572,395	924,538	14.1	8,963,331
<b>Cost of sales</b>	5,743,411	4,882,003	861,407	17.6	6,680,170
Gross profit on sales	1,753,522	1,690,391	63,130	3.7	2,283,161
<b>Selling, general and administrative expenses</b>	1,488,031	1,228,223	259,807	21.2	1,645,501
Operating income	265,490	462,167	196,677	42.6	637,660
<b>Non-operating income</b>					
1. Interest received	62	4	58	1414.2	7
2. Commissions receivable	-	-	-	-	1,088
3. Others	312	1,395	1,083	77.6	993
<b>Total non-operating income</b>	374	1,399	1,024	73.2	2,089
<b>Non-operating expenses</b>					
1. Interest expense	934	218	715	327.1	218
2. Commission paid	983	-	-	-	-
3. Fee to establish a commitment line	1,054	1,347	292	21.7	1,793
4. Others	949	175	774	441.0	487
<b>Total non-operating expenses</b>	3,922	1,741	2,180	125.2	2,500
<b>Ordinary income</b>	261,943	461,825	199,882	43.3	637,249
<b>Extraordinary gains</b>					
1. Reversal of allowance for doubtful receivables	-	2	2	0.0	91
2. Gain on sales of marketable securities	72	-	72	-	-
<b>Total Extraordinary gains</b>	72	2	69	2608.8	91
<b>Extraordinary gains</b>					
1. <b>Extraordinary losses</b>	815	103	712	690.9	198
2. Gain from priors-term adjustments	-	6,873	6,873	0.0	6,873
3. Expenses for restoration to original state	-	360	360	0.0	360
<b>Total extraordinary losses</b>	815	7,336	6,521	88.9	7,431
Income before income taxes and minority interests	261,199	454,491	193,291	42.5	629,908
Income taxes	103,553	182,836	79,282	43.4	260,772
Income tax adjustment	9,232	7,354	1,878	25.5	2,633
Net income	148,413	264,300	115,887	43.8	371,769

Note: Figures have been rounded down to the nearest thousands of yen.

### 3. Consolidated Statement of Retained Earnings

(Thousands of yen)

Item	FY2006 3Q	(Reference) FY2006 (full year)
	Amount	Amount
<b>CAPITAL SURPLUS</b>		
<b>Capital surplus at the beginning of the period</b>	419,652	419,652
<b>Increases in capital surplus</b>	907	1,567
1. New stock issued through exercise of preemptive rights	907	1,567
<b>Capital surplus at the end of the period</b>	420,559	421,219
<b>RETAINED EARNINGS</b>		
<b>Retained earnings at the beginning of the period</b>	630,054	630,054
<b>Increases in retained earnings</b>	264,300	371,769
1. Net income	264,300	371,769
<b>Decreases in retained earnings</b>	70,534	70,534
1. Cash dividends	70,534	70,534
<b>Retained earnings at the end of the period</b>	823,821	931,290

Note: Figures have been rounded down to the nearest thousands of yen.

### 4. (Summary) Quarterly Consolidated Statement of Changes in Shareholders' Equity

	Shareholders' equity					Total Net Assets
	Capital Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity	
Balance as of March ( thousands of yen )	395,240	421,219	931,290	42,008	1,705,741	1,705,741
Changes in fiscal year						
Capitalization issue	11,730	11,730	-	-	23,460	23,460
Dividends *1	-	-	88,549	-	88,549	88,549
Net Income	-	-	148,413	-	148,413	148,413
Treasury stock acquisition	-	-	-	156,282	156,282	156,282
Treasury stock disposal	-	9	-	4	13	13
Total changes in fiscal year ( thousands of yen )	11,730	11,739	59,863	156,278	72,945	72,945
Balance as of June 30, 2006 ( thousands of yen )	406,970	432,958	991,154	198,286	1,632,796	1,632,796

Note: 1. This is the item regarding the surplus appropriation which was approved in the annual general meeting of stockholders held in June 2006.

## 5. Consolidated 3Q Statements of Cash Flows (abbreviated)

(Thousands of yen)

	FY2007 3Q	FY2006 3Q	(Reference) FY2006 (full year)
Subject	Amount	Amount	Amount
<b>Cash flow from operating activities</b>			
Income before income taxes and minority interests	261,199	454,491	629,908
Depreciation and amortization	34,153	29,781	41,889
Changes in provision for doubtful accounts ( decrease)	403	2	91
Changes in provision for bonuses	23,336	-	-
Interest and dividend income	63	5	8
Interest expenses	934	218	218
Gain (loss) on retirement of fixed assets	815	103	198
Gain (loss) on sale of investments in securities	72	-	-
Changes in accounts receivable ( increase)	29,411	284,885	335,775
Changes in purchase liabilities ( decrease)	10,869	2,243	43,007
Changes in consumption tax payable ( decrease)	51,046	5,294	31,870
Changes in accrued expenses ( decrease)	19,691	129,209	122,389
Others	42,514	10,535	12,760
<b>Subtotal</b>	<b>291,586</b>	<b>346,984</b>	<b>546,368</b>
Interest and dividends received	63	5	8
Interest expenses paid	934	218	218
Income taxes paid	310,767	221,003	204,113
<b>Net cash from operating activities</b>	<b>20,051</b>	<b>125,767</b>	<b>342,045</b>
<b>Cash flow from investing activities</b>			
Payments for purchases of intangible fixed assets	22,488	13,389	16,560
Payments for purchases of marketable securities	18,692	10,630	36,978
Payments for sale and redemption of marketable securities	4,230	30,000	30,000
Proceeds from sale and redemption of marketable securities	4,302	-	-
Payments for deposits and guarantees	2,044	20,309	20,309
Proceeds from return of deposits and guarantees	-	1,922	1,922
<b>Net cash from investing activities</b>	<b>43,153</b>	<b>72,407</b>	<b>101,926</b>
<b>Cash flow from financing activities</b>			
Net change in short-term borrowing	300,000	-	-
Repayments of long-term debt	-	25,300	25,300
Proceeds from stock issues	23,460	1,815	3,135
Cash dividends paid	86,570	69,729	70,006
Payments for dividends	157,252	-	-
<b>Net cash from financing activities</b>	<b>79,637</b>	<b>93,214</b>	<b>92,171</b>
<b>Change in cash and cash equivalents</b>	<b>16,432</b>	<b>39,855</b>	<b>147,947</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>1,226,586</b>	<b>1,078,639</b>	<b>1,078,639</b>
<b>Cash and cash equivalents, end of</b>	<b>1,243,018</b>	<b>1,038,783</b>	<b>1,226,586</b>

<b>fiscal year</b>			
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Note: Figures have been rounded down to the nearest thousands of yen.

## 5. Segment Information

### *Industry segments*

FY 2007 3Q

(Thousands of yen)

	Outsourcing	Temporary Staffing	Total	Eliminations and Corporate	Consolidated
Net sales	6,131,861	1,380,354	7,512,216	15,282	7,496,933
Operating expenses	5,818,822	1,309,789	7,128,611	102,831	7,231,442
Operating income	313,039	70,565	383,604	118,114	265,490

FY 2006 3Q

(Thousands of yen)

	Outsourcing	Temporary Staffing	Total	Eliminations and Corporate	Consolidated
Net sales	5,644,650	942,983	6,587,634	15,238	6,572,395
Operating expenses	5,154,074	882,349	6,036,424	73,803	6,110,227
Operating income	490,576	60,633	551,210	89,042	462,167

### *Geographical segments*

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

## 6. 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:

(Thousands of yen, %)

Business Segment	FY2007 3Q		FY2006 3Q	
	Amount	Share	Amount	Share
Outsourcing	6,116,578	81.6	5,629,485	85.7
Temporary staffing	1,380,354	18.4	942,909	14.3
<b>Total</b>	<b>7,496,933</b>	<b>100.0</b>	<b>6,572,395</b>	<b>100.0</b>

Note: Amounts do not include consumption tax.