

July 23, 2007

Summary of Consolidated Earnings Report
for the First Quarter of the Fiscal Year Ending March 31, 2008

Company: Backs Group Inc. (URL: <http://www.backs.co.jp/>)

Code No.: 4306

Stock Listings: JASDAQ

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1. Consolidated Results of Operations for 1Q of FY2008 (April 1, 2007 – June 30, 2007)

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

	Net Sales	Operating Income	Ordinary Income	Net Income
	%	%	%	%
FY 2008 1Q	2,711 (11.3)	69 (△42.2)	67 (△43.7)	40 (△42.0)
FY 2007 1Q	2,435 (23.0)	120 (△15.9)	119 (△16.6)	69 (△17.9)
(Reference) FY2007 full year	10,072	326	319	179

	Net Income per Share (yen)	Net Income per Share (Diluted) (yen)
FY 2008 1Q	289 60	289 44
FY 2007 1Q	488 92	486 68
(Reference) FY2007 full year	1,278 61	1,276 38

Notes:

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

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

	Total Assets	Shareholders' Equity	Equity Ratio	Shareholders' equity per share
	(¥mn)	(¥mn)	%	(yen)
FY2008 1Q	2,948	1,565	53.1	11,290 32
FY2007 1Q	2,511	1,686	67.2	11,904 58
(Reference)FY2007 Full Year	3,066	1,664	54.3	11,975 26

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

	Cash flow from Operating Activities	Cash flow from Investing Activities	Cash flow from Financing Activities	Cash and Cash Equivalents, end of period
	(¥mn)	(¥mn)	(¥mn)	(¥mn)
FY2008 1Q	△26	△22	△85	1,340
FY2007 1Q	△114	△13	△70	1,027
(Reference)FY2007 Full Year	247	△78	79	1,474

2. Dividends

	Dividend per share
(Record Date)	1QT
FY2008 1Q	(¥mn) — —
FY2007 1Q	— —

3. Forecasts for Fiscal Year 2008 (April 1, 2007 - March 31, 2008)

(Millions of yen, rounded down)

	Net Sales	Ordinary Income	Net Income
	¥mn	¥mn	¥mn
I n t e r i m	5,352	33	19
F u l l t e r m	11,560	221	128

(Reference) Net income per share for the full year is forecast at ¥923.14

4. Others

- (1) Changes in important subsidiaries during the fiscal year: No
- (2) Use of simplified accounting procedures: No
- (3) Changes in accounting principle in the most recent fiscal year: No

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 Information regarding Consolidated Business Results

1. Outline of Consolidated Business Results for the First Quarter of Fiscal Year 2008

Under the influence of increased corporate profits and demand, capital investment continued to increase in the Japanese economy during this consolidated fiscal year. Despite little change in consumer sentiment and household income, consumer spending showed signs of recovery due to improvements in the job market, and business conditions are gradually improving.

The mobile telecommunications industry, the principal market in which the Backs Group operates, achieved robust growth from 57.7% to 76.7% in the percentage of subscriptions for third-generation (3G) handsets. The number of mobile phone subscriptions was 98,050,000 in June 2007, 5.6 % more than in the corresponding period of the previous fiscal year.*1 In addition, the commencement of digital terrestrial broadcasting (one segment broadcasting) for mobile phones, a rise in new entrants to the market and the start of number portability has heightened the struggle for market share between communications carriers.

As growth of the number of broadband subscribers stalled with 30,620,000 Internet connection service contracts*2 as of the end of December 2006, the digital consumer electronics industry was marked by a pronounced trend for sharp growth in FTTH access service and a decline in the use of DSL services. This period coincided with a lull for PCs, printers and other electronic goods between the release of new models, and the demand for sales campaigns and the like has been slow.

In the credit card industry, the number of cards issued as of the end of March 2006, rose 5.7% year-to-year to 289.05 million; by type of issuer, 122.25 cards were issued by banks, 83.9 million cards were issued by retailers, 57.43 million cards were issued by shinpan credit companies and 5.04 million cards were issued by gasoline retailers*3, indicating steady a growth of the industry. However the industry is beginning to feel the impact of the enactment of the new lending regulations that went into effect in December 2006, which reduced the maximum allowable interest rate, as reorganizations through business integrations are taking place mainly

among the major credit card companies and as a result of these reorganizations reviews of the sales promotion strategies are being undertaken, which, in turn, has caused a temporary decrease in demand.

Under these circumstances, despite the sales in the finance segment falling short of year-on-year levels as a result of the temporary decrease in demand, marked improvements in sales in the mobile telecommunications segment, which had been sluggish in the Kanto region during the previous term, and an impressive 44.0% year-on-year increase in national sales prompted overall sales for the first quarter to reach a record high.

In terms of profit, the gross profit margin improved substantially reflecting the effects of the measures taken from the previous term to make our registered staff fully operational and to thoroughly enforce cost management. Moreover in terms of the cost of sales and general administration ratio, increases in staff through the hiring of new recruits, initial costs arising from the opening of new office and increased recruiting expenses to enforce hiring, and other factors caused the SG&A ratio to increase which, in turn, caused year-on-year decreases in ordinary income and net income for the current term. However, due to our efforts to cut back expenses through improved business efficiency and the thorough enforcement of cost management, the actual SG&A ratio fell short of the projections at the beginning of the year.

As a result of these efforts, consolidated net sales during the first quarter were ¥2,711 million (up 11.3% from the previous fiscal year). Ordinary income was ¥67million (down 43.7 %), and net income was ¥40 million (down 42.0%).

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 2006)” (latest data March 3, 2007).
- *3 Source: Calculated based on the Japan Consumer Credit Industry Association, “Numbers of Credit cards Issued by Sector (Actual results)”

2. Earnings in the main business segments

I . By Segment

(a) Outsourcing

In the outsourcing operations, the scaling down of sales promotion campaigns and the review of low-profit campaigns in the financial segment resulted in diminished demand for our services. In the mobile telecommunications segment, however, continuing intense demand throughout Japan resulted in steady sales. As far as profits are concerned, while the gross profit margin improved as the effects of measures taken to make our registered staff fully operational, among others, became evident, effects from such initiatives as the increases in recruiting expenses to enforce hiring caused the SG&A ratio to increase, which ultimately resulted in the first quarter sales of ¥2,035 million (3.0% increase year-on-year) and an operating income of 92 ¥ million (31.4% decrease year-on-year)

(b) Temporary Staffing

In our temporary staffing business, the dispatch of staff to mobile communications carrier retail stores yielded good results, and in the digital and finance sectors as well demand has been vigorous throughout Japan. As a result, net sales in the temporary staffing segment totaled ¥676 million (up 47.4% from the previous fiscal year), while operating income was ¥18 million (down 31.9%).

II. By Region

(a) Kanto Region*¹

In the Kanto region, despite our offices mainly in the Tokyo Metropolitan area suffering from a lack of major contracts from the consumer electronics segment, major growth in sales was recorded as a result of our offices in the Northern Kanto and the Niigata regions landing a number of major deals. Consequently sales for the first quarter totaled ¥1,532 million (5.1% increase year-on-year).

(b) National *²

For the nation as a whole demand was generally high and the mobile telecommunications segment, in particular, increased its sales dramatically. As a result of the above, sales for the first quarter totaled ¥1,179 million (20.6% increase year-on-year).

III. By Client Industry

(a) Mobile telecommunications *³

In the mobile telecommunications segment, thanks to the continued recovery in the mobile telecommunications segment of the Kanto region, which had suffered diminished sales due to the intensification of competition during the previous term, and due to our efforts to secure business from communications carriers and sales outlets bearing fruit, first quarter sales totaled ¥1,799 million (25.7% increase year-on-year).

(b) Digital consumer electronics *⁴

In the consumer electronics segment, despite decreasing orders from a portion of the large-scale clients, with whom we had concluded contracts in the corresponding period of the previous year, due to our efforts to cultivate demand with our existing clients and the continuous sales activities conducted by the sales offices, first quarter sales totaled ¥556 million (2.7% increase year-on-year).

(c) Finance*⁵

In the financial segment, as a result of the credit card company clients undertaking revisions of their sales promotion policies in conjunction with the enactment of the new lending regulations reducing the allowable maximum interest rate, first quarter sales amounted to ¥254 million (29.1% decrease year-on-year).

(d) New business *⁶

In the new business segments, despite the increase in the number of clients, the shortage of campaigns of the type that were acquired in the corresponding period of the previous year has resulted in first quarter sales to amount to ¥101 million (1.5% decrease year-on-year).

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.

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

1. Changes in financial condition

Total assets as of the end of the first quarter were ¥2,948 million, representing a decrease of ¥117 million from the end of the previous consolidated accounting year. In addition, shareholders' equity decreased by ¥98 million to ¥1,565 million.

2. ***Consolidated cash flow statement***

The balance of consolidated cash and cash equivalents (hereafter "cash") was ¥1,340 million at the end of the first quarter (down 10.0% from the end of the previous consolidated accounting year).

① Cash flow from operating activities

Cash used in operating activities during the first quarter was ¥26 million (down 77.1% from the previous first quarter). This was due mainly to the decrease in accrued expenses resulting from the payment of dividends and employees' salaries.

② Cash flow from investment activities

Cash used in investing activities during the first quarter was ¥22 million (increase of 62.6% compared to the previous first quarter). This was due mainly to the payment of deposit money and security deposits needed for the opening of new offices.

③ Cash flow from financial activities

Cash used in financing activities during the first quarter was ¥85 million (increase of 21.2% compared to the previous first quarter). This was due mainly to the payment of dividends.

○ Attachments

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

Qualitative Information regarding Forecasts

1. Mid Year

No revisions have been made to the mid-year forecasts announced on May 10, 2007

2. Full Year

No revisions have been made to the full-year forecasts announced on May 10, 2007

(Supplementary material)

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

(Thousands of yen; %)

Item	FY2008 1Q	FY2007 1Q	Y on Y		(Reference) FY 2007 (full year)
	Amount	Amount	Amount	%	Amount
ASSETS					
I Current Assets					
1. Cash and Cash equivalents	1,340,509	1,027,562	312,947	30.5	1,474,758
2. Notes and accounts receivable	1,158,810	1,065,175	93,634	8.8	1,147,457
3. Deferred tax assets	18,829	12,719	6,109	48.0	32,476
4. Others	52,678	64,390	△11,712	△18.2	46,482
Allowance for doubtful accounts	△1,273	△1,203	△69	5.7	△1,373
Total current assets	2,569,554	2,168,644	400,910	18.5	2,699,801
II Fixed Assets					
1. Property and equipment					
(1) Buildings and structures	33,291	38,980	△5,689	△14.6	33,298
(2) Machinery, tools and equipment	33,525	33,103	422	1.3	30,652
Total property and equipment	66,817	72,084	△5,266	△7.3	63,950
2. Intangible fixed assets					
(1) Software	66,694	74,545	△7,851	△10.5	72,115
(2) Others	3,238	3,238	—	—	3,238
Total intangible fixed assets	69,932	77,784	△7,851	△10.5	75,353
3. Investments and other assets					
(1) Deposits and guarantees	60,000	30,000	30,000	100.0	60,000
(2) Total investments and other assets	182,233	162,898	19,334	11.9	166,600
(3) Others	—	230	△230	—	573
Total investments and other assets	242,233	193,128	49,104	25.4	227,173
Total fixed assets	378,983	342,997	35,986	10.5	366,477
TOTAL ASSETS	2,948,538	2,511,641	436,897	17.4	3,066,279

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

(Thousands of yen; %)

Item	FY2008 1Q	FY2007 1Q	Y on Y		(Reference) FY 2007 (full year)
	Amount	Amount	Amount	%	Amount
LIABILITIES AND SHAREHOLDERS' EQUITY					
I Current Liabilities					
1. Notes and accounts payable, trade	33,116	29,399	3,717	12.6	21,733
2. Short-term debt	300,000	—	300,000	—	300,000
3. Accounts payable	86,650	74,002	12,647	17.1	106,866
4. Consumption tax payable	12,792	43,438	△30,645	△70.5	28,230
5. Consumption tax payable	105,805	94,328	11,477	12.2	97,247
6. Accrued expenses	617,352	468,071	149,280	31.9	678,786
7. Provision for bonuses	31,500	15,839	15,660	98.9	47,491
8. Others	196,210	99,917	96,293	96.4	121,902
Total current liabilities	1,383,428	824,997	558,431	67.7	1,402,257
Total Liabilities	1,383,428	824,997	558,431	67.7	1,402,257
Net Assets					
I Shareholder's equity					
1. Capitalization	406,970	395,410	11,560	2.9	406,970
2. Capital surplus	432,958	421,389	11,569	2.7	432,958
3. Retained earnings	930,574	912,011	18,563	2.0	1,022,379
4. Treasury stock	△205,393	△42,167	△163,226	387.1	△198,286
Total Shareholders' Equity	1,565,109	1,686,643	△121,534	△7.2	1,664,021
Total Net Assets	1,560,109	1,686,643	△121,534	△7.2	1,664,021
Total Liabilities and Net Assets	2,948,538	2,511,641	436,897	17.4	3,066,279

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

2. Consolidated 1Q Statements of Income (abbreviated)

(Thousands of yen; %)

Item	FY2007 1Q	FY2008 1Q	Y on Y		(Reference) FY 2007 (full year)
	Amount	Amount	Amount	%	Amount
I Net sales	2,711,763	2,435,506	276,256	11.3	10,072,787
II Cost of sales	2,043,229	1,834,686	208,543	11.4	7,734,576
Gross profit on sales	668,533	600,820	67,712	11.3	2,338,210
III Selling, general and administrative expenses	599,136	480,808	118,327	24.6	2,011,993
Operating income	69,397	120,012	△50,615	△42.2	326,216
IV Non-operating income					
1. Interest received	205	61	144	235.4	250
2. Others	6	24	△18	△72.8	670
Total non-operating income	212	86	125	146.1	921
V Non-operating expenses					
1. Interest expense	585	115	470	408.4	1,776
2. Stock buy-back costs	64	—	64	—	983
3. Fee to establish a commitment line	750	150	600	400.0	2,099
4. Claims expenses	697	—	697	—	2,480
5. Others	—	—	—	—	91
Total non-operating expenses	2,096	265	1,831	690.8	7,431
Ordinary income	67,512	119,833	△52,320	△43.7	319,706
VI Extraordinary gains					
1. Reversal of allowance for doubtful receivables	100	—	100	—	—
2. Reversal of allowance for bonuses	4,796	—	4,796	—	—
3. Gain on sales of securities	—	—	—	—	72
Total Extraordinary gains	4,897	—	4,897	—	72
VII Extraordinary gains					
1. Extraordinary losses	161	—	161	—	1,127
Total extraordinary losses	161	—	161	—	1,127
Income before income taxes and minority interests	72,248	119,833	△47,584	△39.7	318,651
Income taxes	17,826	38,178	△20,352	△53.3	146,959
Income tax adjustment	14,220	12,383	1,836	14.8	△7,946
Net income	40,201	69,270	△29,068	△42.0	179,639

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

3. Consolidated Statement of Retained Earnings

FY2007 1QT (April 1, 2006– June 30, 2006)

	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	△198,286	1,705,741	1,705,741
Changes in fiscal year						
Capitalization issue	170	170	—	—	340	340
Dividends *1	—	—	△88,549	—	△88,549	△88,549
Net Income	—	—	69,270	—	69,270	69,270
Treasury stock acquisition	—	—	—	△165	△165	△165
Treasury stock disposal	—	—	—	6	6	6
Total changes in fiscal year (thousands of yen)	170	170	△19,279	△158	△19,097	△19,097
Balance as of June 30, 2006 (thousands of yen)	395,410	421,389	912,011	△42,167	1,686,643	1,686,643

Note: 1. This is the item regarding the surplus appropriation which was approved in the annual general meeting of stockholders held in June 2007.

FY2008 1QT (April 1, 2007–June 30, 2007)

	Shareholders' equity					Total Net Assets
	Capital Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity	
Balance as of March (thousands of yen)	406,970	432,958	1,022,379	△198,286	1,664,021	1,664,021
Changes in fiscal year						
Capitalization issue	—	—	—	—	—	—
Dividends *1	—	—	△132,007	—	△132,007	△132,007
Net Income	—	—	40,201	—	40,201	40,201
Treasury stock acquisition	—	—	—	△7,106	△7,106	△7,106
Treasury stock disposal	—	—	—	—	—	—
Total changes in fiscal year (thousands of yen)	—	—	△91,805	△7,106	△98,912	△98,912
Balance as of June 30, 2007 (thousands of yen)	406,970	432,958	930,574	△205,393	1,565,109	1,565,109

Note: 1. This is the item regarding the surplus appropriation which was approved in the annual general meeting of stockholders held in June 2007.

4. Consolidated 1Q Statements of Cash Flows (abbreviated)

(Thousands of yen)

	FY2008 1Q	FY2007 1Q	(Reference) FY2007 (full year)
Subject	Amount	Amount	Amount
I Cash flow from operating activities			
Income before income taxes and minority interests	72,248	119,833	318,651
Depreciation and amortization	10,966	10,627	46,864
Changes in provision for doubtful accounts (Δ decrease)	Δ 100	221	391
Changes in provision for bonuses	Δ 15,990	15,839	47,491
Interest and dividend income	—	Δ 0	Δ 459
Interest expenses	585	115	1,776
Gain (loss) on retirement of fixed assets	161	—	1,127
Changes in accounts receivable (Δ increase)	Δ 11,352	146,602	64,320
Changes in purchase liabilities (Δ decrease)	11,383	Δ 16,613	Δ 24,279
Changes in consumption tax payable (Δ decrease)	8,557	Δ 43,659	Δ 40,739
Changes in accrued expenses (Δ decrease)	Δ 61,143	Δ 136,662	73,471
Others	Δ 1,445	Δ 39,616	70,022
Subtotal	13,870	56,688	558,637
Interest and dividends received	—	—	459
Interest expenses paid	Δ 876	Δ 115	Δ 1,195
Income taxes paid	Δ 39,059	Δ 171,156	Δ 310,817
Net cash from operating activities	Δ26,065	Δ114,582	247,084
II Cash flow from investing activities			
Payments for purchases of property and equipments intangible fixed assets	Δ 4,765	Δ 7,815	Δ 22,781
Payments for purchases of intangible fixed assets	Δ 1,999	Δ 5,861	Δ 21,967
Payments for purchases of investments in securities	—	—	Δ 30,000
Payments for deposits and guarantees	—	—	4,302
Proceeds from return of deposits and guarantees	Δ 15,633	—	Δ 3,701
Net cash from investing activities	Δ22,398	Δ13,677	Δ78,378
III Cash flow from financing activities			
Net change in short-term borrowing	—	—	300,000
Proceeds from stock issues	—	340	23,460
Cash dividends paid	Δ 78,614	Δ 70,945	Δ 86,741
Payments for dividends	Δ 7,170	Δ 158	Δ 157,252
Net cash from financing activities	Δ85,785	Δ70,763	79,466
IV Change in cash and cash equivalents	Δ134,248	Δ199,023	248,172
V Cash and cash equivalents at the beginning of the period	1,474,758	1,226,586	1,226,586
VI Cash and cash equivalents, end of fiscal year	1,340,509	1,027,562	1,474,758

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

5. Segment Information

Industry segments

FY 2008 1Q

(Thousands of yen)

	Outsourcing	Temporary Staffing	Total	Eliminations and Corporate	Consolidated
Net sales	2,042,639	676,425	2,719,065	△7,302	2,711,763
Operating expenses	1,950,499	657,589	2,608,088	34,277	2,642,366
Operating income	92,140	18,836	110,977	△41,580	69,397

FY 2007 1Q

(Thousands of yen)

	Outsourcing	Temporary Staffing	Total	Eliminations and Corporate	Consolidated
Net sales	1,980,811	458,917	2,439,729	△4,222	2,435,506
Operating expenses	1,846,453	431,245	2,277,699	37,795	2,315,494
Operating income	134,358	27,671	162,030	△42,017	120,012

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	FY2008 1Q		FY2007 1Q	
	Amount	Share	Amount	Share
Outsourcing	2,035,337	75.1	1,976,589	81.2
Temporary staffing	676,425	24.9	458,917	18.8
Total	2,711,763	100.0	2,435,506	100.0

Note: Amounts do not include consumption tax.