



Summary of Consolidated Earnings Report for the Third quarter of the Fiscal Year Ending March 31, 2008

Company Name: Backs Group Inc. (URL: <http://www.backs.co.jp/>)
Code Number: 4306
Stock Listings: JASDAQ
Head Office: 1-19-19 Ebisu, Shibuya-ku, Tokyo
Representative: Tsutomu Okada (President)
Inquiries: Atsuhiko Sunanaga, Managing Director
 Tel: 03-5793-7836
Board of Director's meeting: November 1, 2007
Use of U.S. accounting standards: No

1. Consolidated Results for the Third quarter of March FY2008 (April 1, 2007 - December 31, 2007)

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

	Net Sales	Operating Income	Ordinary Income	Net Income
	%	%	%	%
FY2008 3Q	8,673 (15.7)	306 (15.4)	301 (15.3)	163 (10.2)
FY2007 3Q	7,496 (14.1)	265 (△42.6)	261 (△43.3)	148 (△43.8)
(Reference) FY2007 Full year	10,072	326	319	179

	Net Income per Share (yen)	Net Income per Share (Diluted) (yen)
FY2008 3Q	1,199 14	1,198 42
FY2007 3Q	1,052 58	1,049 83
(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 3Q	2,833	1,607	56.7	11,983 20
FY2007 3Q	2,929	1,632	55.7	11,750 54
(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 3Q	△135	△104	△518	716
FY2007 3Q	△20	△43	79	1,243
(Reference) FY2007 Full year	247	△78	79	1,474

2. Dividends

(Record Date)	Dividend per share
	As of the end of third quarter
	(Yen)
FY2008 3Q	— —
FY2007 3Q	— —

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

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

	Net Sale	Operating Income	Ordinary Income	Net Income per Share
Full Term	11,740	350	350	200

(References) Net income per share, forecast (Full term) 1,452.71

4. Others

(1) Changes in important subsidiaries during the fiscal year (Changes to designated companies that fall within the amended scope of consolidation) None

(2) Adoption of simplified accounting method : None

(3) Changes in accounting method from the previous consolidated accounting year : None

(Note) Forecasts contained in this report 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 and Financial Statements】

1. Qualitative Information on Consolidated Business Results

Our nation's economy during the third quarter continued on a slow track to recovery with capital investment remaining strong, backed by improved corporate earnings, in spite of the emergence of such concerns as the economic slow down due to the sub-prime loan issue in the United States and the spiking oil prices.

The mobile telecommunications industry, the principal market in which the Backs Group operates, achieved robust growth from 65.1% to 82.3% in the percentage of subscriptions for third-generation (3G) handsets. The number of mobile phone subscriptions was 99,7 million in November 2007, 5.8 % more than in the corresponding period of the previous fiscal year.*1 Moreover with the entry of new mobile telecommunications operators into the market and the penetration of number portability, telecommunications carriers have been launching new products and services in succession, which, in turn, has been invariably intensifying the already heated competition for market shares and subscribers.

With regard to the digital consumer electronics industry, there has been an upward trend in the number of broadband subscribers with 31.58 million*2 users of Internet connection services as of the end of June 2007; demand for fiber-optic communications services has also increased by a substantial 53%, while a marked decreasing trend in digital subscriber's line services has been noted.

In the credit card industry, the number of cards issued as of the end of March 2007, rose 1.2% year-to-year to 292.66 million; by type of issuer, 114.24 cards were issued by banks, 85.4million cards were issued by retailers, 62.16million cards were issued by shinpan credit companies.*3 Despite the increases in card membership through such means as partnerships with other types of businesses, a portion of the credit companies continue to review their sales promotion strategies following the enactment of the new lending regulations that went into effect in December 2006, which reduced the maximum allowable interest rate.

Under these circumstances, we engaged in a number of measures aimed to strengthen our medium-term sales and revenue bases, including the reinforcement of our sales structure over a wide-ranging area through our expanded network, the launching of new businesses such as the light-work and the personnel placement businesses.

As the large-scale contracts, which were secured through the nationwide campaign to strengthen package contracts led by the headquarters sales promotion structure during the latter half of the previous fiscal year, became fully operative and due to our successful efforts in capturing nationwide demand in the mobile communications and digital consumer electronics fields, net sales for this consolidated interim fiscal year reached an all-time high.

In terms of profits, a higher proportion of lucrative large-scale contracts in the digital consumer electronics and other consumer fields and successful measures to enhance our registered staff utilization rate resulted in a 1.3 point year-on-year increase in our gross profit margin. In terms of selling, general and administrative expenses, a 1.3 point year-on-year increase was recorded, reflecting the increase in staff mainly from the stepped-up hiring of new recruits and initial costs arising from the opening of new offices. However as a result of improved sales and gross profit margin we were able to record year-on-year increases in both operating income and ordinary income.

AS a result of these efforts, consolidated net sales for the Third Quarter of fiscal year 2008 were ¥8,673 million (up 15.7% from the previous fiscal year). Ordinary income was ¥301 million (up 15.3%), and net income was ¥163 million (up 10.2%).

Notes:

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

*2 Source: Calculations based on Ministry of Internal Affairs and Communications' report "Trends in Numbers of Users of Internet Connection Services, etc (latest data June 3, 2007)".

*3 Source: Calculated based on the Japan Consumer Credit Industry Association, “Numbers of Credit cards Issued by Sector (Actual results)”

< Results by Major Segment >

(1) By business segment

① Outsourcing

However, as large contracts in the consumer electric segment became fully operative and demand continued to grow throughout Japan in the mobile telecommunications segment, sales in this segment increased steadily. As far as profits are concerned, the gross profit margin improved as the effects from measures to make our registered staff fully operational became evident, which ultimately resulted in, net sales reached 6,147 million yen during the current interim period (an increase of 0.5 % compared to the corresponding period of the previous fiscal year) and operating income increase in 363million yen (an increase of 16.2% compared to the corresponding period of the previous fiscal year).

② Temporary staffing

In our temporary staffing business, the steady dispatch of staff to mobile communications carrier retail stores and strong performances in the digital and new business segments owing to our ability to capture new demand. Consequently net sales totaled 2,525 million yen (an increase of 83.0% compared to the corresponding period of the previous fiscal year) and an operating income of 77million yen (an increase of 10.1% compared to the corresponding period of the previous fiscal year).

(2) By region

① Kanto region*1

In the Kanto region, despite our offices in the Tokyo Metropolitan area suffering from intensified competition and decreased orders received from the finance sector, major growth in sales was recorded as a result of our offices in the Northern Kanto and the Niigata regions capturing new customers and receiving increased orders from existing customers. Consequently sales for the current the Third quarter consolidated fiscal year totaled 5,007 million yen (12.3% increase year on year).

② National*2

On the national level, owing mainly to the large increase in sales in the mobile communications, digital and new business segments, third quarter consolidated fiscal year totaled 3,665 million yen (20.6% increase year on year).

(3) By customer industry

① Mobile telecommunications*3

In the mobile telecommunications segment, due to increased service of our full-time staff and our successful efforts to capture demand throughout Japan by the telecommunications carriers and sales agents consequently sales for the current the Third quarter consolidated fiscal year totaled 5,350 million yen (13.0% increase year on year).

② Digital consumer electronics*4

In the digital consumer electronics segment, thanks to the continuous sales activities by each office in an effort to cultivate demand with our existing clients, as well as the fact that large contracts secured through operations to secure new clients by dedicated sales divisions, become fully operational, Consequently sales for the current the Third

quarter consolidated fiscal year totaled 2,113 million yen (32.4% increase year on year).

③ Financial services*5

In the financial segment, despite our continuous activities aimed at receiving orders from our superior customers, effects 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, diminished demand. Consequently, sales for the current interim consolidated fiscal year totaled 670 million yen (25.2% decrease year on year).

④ New Sectors*6

In the other consumer products manufacturers' segment, large-scale campaigns that were acquired in the corresponding period of the previous have become fully operative, and the light work business, entertainment business which started this term, has contributed to the cultivation of new clients, namely in retail and events. Consequently, sales for the current the Third quarter consolidated fiscal year totaled 538 million yen (100.6% increase 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, retail, and entertainment excluding 3, 4, 5, above.

2. Quantitative Information on Consolidated Financial Conditions

(1) Changes in Financial Conditions

Total assets as of the end of the third quarter were ¥2,833 million, representing a 232 million decrease from the end of the previous consolidated fiscal year. Likewise, net assets decreased by ¥56 million to 1,607 million.

(2) Statement of Cash Flows

The balance of cash and cash flow (hereafter "cash") as of the end of the third quarter, on a consolidated basis, as of the end of the quarter fell ¥758 million from the end of the previous consolidated fiscal year to ¥716 million (down 51.4% from the previous consolidated fiscal year end).

① Cash flow by operating activities

Cash used in operating activities during the current third quarter was ¥135 million (increase of 577.4% compared to the previous third quarter). This was due mainly to ¥302 million in current income before income taxes and minority interest, ¥443 million increase in accounts receivable, and ¥86 million for the payment of corporate tax.

② Cash flow by investing activities

Cash used in investing activities during the current third quarter was ¥104 million (increase of 142.4% compared to the previous third quarter). This was due mainly to the expenditures of ¥37 million for the start-up of the Internet employment information services and ¥36 million for the payment of deposit and guarantee money in connection with the opening of new offices.

③ Cash flow by financing activities

Cash used in financing activities during the current third quarter was ¥518 million (income of ¥79 million in the previous third quarter). This was due mainly to the ¥300 million repayments of short-term borrowings and the

payment of ¥127 million in dividends.

3. Quantitative Information on Consolidated Results Forecast

There are no changes to the forecasts for FY2008 announced on November 1, 2007 in the Summary of Consolidated Earnings Report for the Interim Period of the Fiscal Year Ending March 31, 2008.

4. (Supplementary material)

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

(Unit: Thousands of yen, %)

Item	FY2008 3Q	FY2007 3Q	Y on Y		(References) FY2007 full year
	Amount	Amount	Amount	Y on Y	Amount
Assets					
I Current Assets					
1. Cash and cash equivalents	716,118	1,243,018	△526,899	△42.4	1,474,758
2. Notes and accounts receivable	1,591,384	1,241,189	350,195	28.2	1,147,457
3. Deferred tax assets	27,942	15,870	12,072	76.1	32,476
4. Others	74,527	86,213	△11,685	△13.6	46,482
Allowance for doubtful accounts	△2,498	△1,386	△1,112	80.3	△1,373
Total currents assets	2,407,474	2,584,905	△177,430	△6.9	2,699,801
II Fixed Assets					
1. Property and equipment					
(1) Buildings and structures	39,561	35,350	4,210	11.9	33,298
(2) Intangible fixed assets	31,804	34,231	△2,426	△7.1	30,652
Total fixed assets	71,365	69,582	1,783	2.6	63,950
2. Intangible fixed assets					
(1) Software	85,458	77,046	8,412	10.9	72,115
(2) Others	5,746	3,238	2,507	77.4	3,238
Total intangible fixed assets	91,205	80,285	10,920	13.6	75,353
3. Investments and other assets					
(1) Deposit and guarantees	60,000	30,000	30,000	100.0	60,000
(2) Deposits and guarantees	203,297	164,943	38,353	23.3	166,600
(3) Others	492	123	368	297.5	573
Total investments and other assets	263,789	195,067	68,722	35.2	227,173
Total fixed assets	426,360	344,934	81,426	23.6	366,477
TOTAL ASSETS	2,833,835	2,929,840	△96,004	△3.3	3,066,279

(Note) Figures have been rounded down to the nearest thousandth of yen.

(Unit: Thousands of yen, %)

Item	FY2008 3Q	FY2007 3Q	Y on Y		(References) FY2007 full year
	Amount	Amount	Amount	Y on Y	Amount
LIABIRITIES					
I Current Liabilities					
1. Notes and accounts payable, trade	96,784	35,143	61,640	175.4	21,733
2. Short-term debt	—	300,000	300,000	—	300,000
3. Accounts payable	79,992	86,031	△6,039	△7.0	106,866
4. Consumption tax payable	70,661	15,033	55,627	370.0	28,230
5. Income taxes payable	109,912	86,941	22,971	26.4	97,247
6. Accrued expenses	698,689	624,424	74,265	11.9	678,786
7. Provision for bonuses	34,246	23,336	10,910	46.8	47,491
8. Others	136,096	126,132	9,963	7.9	121,902
TOTAL CURRENT LIABIRITIES	1,226,383	1,297,044	△70,660	△5.4	1,402,257
TOTAL LIABIRITIES	1,226,383	1,297,044	△70,660	△5.4	1,402,257
SHAREHOLDERS' EQUITY					
I Shareholder's equity					
1. Capitalization	406,970	406,970	—	—	406,970
2. Capital surplus	432,958	432,958	—	—	432,958
3. Retained earnings	1,053,978	991,154	62,824	6.3	1,022,379
4. Treasury stock	△288,470	△198,286	△90,183	45.5	△198,286
TOTAL LIABIRITIES AND SHAREHOLDERS' EQUITY	1,605,436	1,632,796	△27,359	△1.7	1,664,021
II Stock acquisition rights	2,015	—	2,015	—	—
TOTAL NET ASEETS	1,607,452	1,632,796	△25,343	△1.6	1,664,021
LIABIRITIES AND NET ASSETS	2,833,835	2,929,840	△96,004	△3.3	3,066,279

(Note) Figures have been rounded down to the nearest thousandth of yen.

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

(Unit: Thousands of yen, %)

Item	FY2008 3Q	FY2007 3Q	Y on Y		(References) FY2007 full year
	Amount	Amount	Amount	Y on Y	Amount
I Net sales	8,673,037	7,496,933	1,176,103	15.7	10,072,787
II Cost of sales	6,528,687	5,743,411	785,276	13.7	7,734,576
Gross profit on sales	2,144,349	1,753,522	390,826	22.3	2,338,210
III Selling, general and administrative expenses	1,837,881	1,488,031	349,849	23.5	2,011,993
Operating Income	306,467	265,490	40,976	15.4	326,216
IV Non-operating revenues					
1. Interest received	928	62	865	1,385.8	458
2. Interest on refund of corporate tax	407	—	407	—	—
3. Others	914	312	602	192.7	462
Total non-operating revenues	2,249	374	1,874	500.0	921
V Non-operating Income					
1. Interest expense	1,954	934	1,020	109.2	1,776
2. Stock buy-back costs	781	983	△201	△20.5	983
3. Fee to establish a commitment line	2,640	1,054	1,585	150.3	2,099
4. Claims expenses	1,230	—	1,230	—	2,480
5. Others	207	949	△741	△78.1	91
Total Non-operating Income	6,814	3,922	2,892	73.7	7,431
Ordinary income	301,903	261,943	39,959	15.3	319,706
VI Extraordinary gains					
1. Reversal of allowance for bounces	4,796	—	4,796	—	—
2. Gain on sales of investments in securities	—	72	△72	—	72
Total Extraordinary gains	4,796	72	4,724	6,561.8	72
VII Extraordinary losses					
1. Loss on sale of fixed assets	4,565	815	3,749	459.7	1,127
Total Extraordinary losses	4,565	815	3,749	459.7	1,127
(Current) income before income taxes and minority interests	302,134	261,199	40,934	15.7	318,651
Defferred income taxes	133,421	103,553	29,867	28.8	146,959
Income tax adjustment	5,107	9,232	△4,125	△44.7	△7,946
Net Income	163,606	148,413	15,192	10.2	179,639

(Note) Figures have been rounded down to the nearest thousandth of yen.

(3) Consolidated Statement of Retained Earnings

FY2007 3Q (April 1, 2006 – December 31, 2006)

(Unit: Thousands yen of yen)

	Shareholders' equity					Total Net Assets
	Capital Stock	Total Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity	
Balance 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 change in the third quarter (Thousand of yen)	11,730	11,739	59,863	△156,278	△72,945	△72,945
Balance of December 31, 2007 (Thousands of yen)	406,970	432,958	991,154	△198,286	1,632,796	1,632,796

Note: (*1) These are items under plan for appropriation of earnings at the ordinary general meeting of shareholders held in June 2007.

FY2008 3Q (April 1, 2007 – December 31, 2007)

(Unit: Thousands yen of yen)

	Shareholders' equity					Stock acquisition rights	Total Net Assets
	Capital Stock	Total Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity		
Balance of March (thousands of yen)	406,970	432,958	1,022,379	△198,286	1,664,021	—	1,664,021
Changes in fiscal year							
Dividends	—	—	△132,007	—	△132,007	—	△132,007
Net Income	—	—	163,606	—	163,606	—	163,606
Treasury stock disposal	—	—	—	△90,183	△90,183	—	△90,183
Treasury stock acquisition (Net Amount)	—	—	—	—	—	2,015	2,015
Total changes in fiscal year (thousands of yen)	—	—	31,598	△90,183	△58,585	2,015	△56,569
Balance of December 31, 2007 (Thousands of yen)	406,970	432,958	1,053,978	△288,470	1,605,436	2,015	1,607,452

(4) Consolidated 3Q Statements of Cash Flows (abbreviated)

(Unit: Thousands of yen)

	FY2008 3Q	FY2007 3Q	(References) FY2007 Full year
	Amount	Amount	Amount
I Cash flow operating activities			
Income before income taxes and minority interests	302,134	261,199	318,651
Depreciation and amortization	37,249	34,153	46,864
Changes in provision for doubtful accounts	1,124	403	391
Changes in provision for bonuses (△=decrease)	△13,244	23,336	47,491
Interest and dividend income	△929	△63	△459
Interest expenses	1,954	934	1,776
Gain on interest of fixed assets	4,565	815	1,127
Gain on sales of investments in securities	—	△72	—
Change in accounts receivable (△=increase)	△443,927	△29,411	64,320
Changes in purchase liabilities (△=decrease)	75,051	△10,869	△24,279
Changes in consumption tax payable (△=decrease)	12,665	△51,046	△40,739
Changes in accrued expenses	20,484	19,691	73,471
Others	△45,067	42,514	70,022
Subtotal	△47,939	291,586	558,637
Interest and dividends received	929	63	459
Interest expenses paid	△2,535	△934	△1,195
Income taxes paid	△86,280	△310,767	△310,817
Cash flow from Operating Activities	△135,826	△20,051	247,084
II Cash flow from Investing Activities			
Payments for purchases of property and equipment	△26,089	△22,488	△22,781
Payments for purchases of intangible fixed assets	△4,015	△18,692	△21,967
Payments for business transfer	△37,800	—	—
Payments for purchases of investments in securities	—	△4,230	△34,230
Payments for deposits and guarantees	—	4,302	4,302
Proceeds from return of deposits and guarantees	△36,696	△2,044	△3,701
Cash flow from Investing Activities	△104,601	△43,153	△78,378
III Cash flow from Financing Activities			
Net change in short-term borrowing	△300,000	300,000	300,000
Proceeds from stock issues	—	23,460	23,460
Payments for dividends	△127,245	△86,570	△86,741
Proceeds from sale of treasury stock	△90,965	△157,252	△157,252
Cash flow from Financing Activities	△518,211	79,637	79,466
IV Change in cash and cash equivalents (△=decrease)	△758,639	16,432	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 4Q (fiscal year)	716,118	1,243,018	1,474,758

(Note) Figures have been rounded down to the nearest thousandth of yen.

(5) Segment Information

[Industry segments]

FY2008 3Q

(Unit: Thousands yen of yen)

	Outsourcing business	Temporary Staffing	Total	Eliminations and corporate	Consolidated
Net Sales	6,172,079	2,525,957	8,698,037	△25,000	8,673,037
Operating expenses	5,808,399	2,448,253	8,256,652	109,916	8,366,569
Operating Income	363,680	77,704	441,384	△134,917	306,467

FY2007 3Q

(Unit: Thousands yen of yen)

	Outsourcing business	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

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:

(Unit: Thousands yen of yen, %)

Business Segment	FY2008 3Q		FY2007 3Q	
	Amount	Share	Amount	Share
Outsourcing business	6,147,079	70.9	6,116,578	81.6
Temporary Staffing	2,525,957	29.1	1,380,354	18.4
Total	8,673,037	100.0	7,496,933	100.0

Note: Amounts do not include consumption tax.