



JASDAQ

May 12, 2008

Summary of Consolidated Earnings Report for 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)
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Board of Director's meeting: May 12, 2008
Use of U.S. accounting standards: No

1. Consolidated Results for the FY2008 (April 1, 2007 - March 31, 2008)

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

	Net Sales		Operating Income		Ordinary Income		Net Income	
		%		%		%		%
FY2008	11,775	16.9	404	23.9	401	25.6	210	17.2
FY2007	10,072	12.4	326	△48.8	319	△49.8	179	△51.7

	Net Income per share (yen)		Net Income per share (Diluted) (yen)		ROE (%)	Ratio of ordinary income to total capital (%)	Ratio of operating income to sales (%)
					%	%	%
FY2008	1,550	26	1,549	40	12.7	13.3	3.4
FY2007	1,278	61	1,276	38	10.7	10.9	3.2

Reference: Equity in net income of affiliates FY2007 —million FY2006 —million

(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
			%	(Yen)
FY2008	2,994	1,655	55.2	12,333 68
FY2007	3,066	1,664	54.3	11,975 26

Reference: Equity capital FY2008 1,652 million FY2007 1,664million

(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
FY2008	△14	△112	△518	828
FY2007	247	△78	79	1,474

2. Dividends

(Record Date)	Dividend per share			Devided price (Full year) (million)	Payout raio (Consolidated) (%)	Ratio of net assets to dividends (Consolidated) (%)
	As of end of midterm period (yen)	End of fiscal year (yen)	Full year (yen)			
FY2008	0	950	950	132	74.1	7.9
FY2007	0	380	380	50	24.2	3.1

FY2009 (Forecasts)	0	540	540		25.0	
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3. Forecasts for Fiscal Year 2009 (April 1, 2008 - March 31, 2009)

(Values in parentheses are rates of growth or decline compared to the previous year)

	Net Sale		Operating Income		Ordinary Income		Net Income per Share		Net Income per Share (yen)
		%		%		%		%	(Yen)
Interim	6,700	20.9	170	0.6	170	2.5	98	6.0	731.49
Full term	14,040	19.2	500	23.7	500	24.5	290	37.7	2,164.60

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.

(3) Number of Share outstanding (Common stock)

- ① Number of Shares outstanding at the end of fiscal year (Included treasury stock)
FY 2008 148,515 shares FY 2007 148,515 shares
- ② Number of shares outstanding at the end of the fiscal year
FY 2007 14,541 shares FY 2007 9,560 shares

(Reference) Summary of non-consolidated results

1. Non-consolidated Results of Operations for the FY2007 (April 1, 2007 - March 31, 2008)

(1) Non-consolidated business results

(Values in parentheses are rates of growth or decline compared to the previous year)

(Unit: Millions of yen, %)

	Net Sale		Operating Income		Ordinary Income		Net Income per Share	
		%		%		%		%
FY2008	9,764	21.8	386	89.7	383	84.4	217	82.1
FY2007	8,014	9.8	203	△60.4	208	△60.3	119	△61.3

	Net Income per share (yen)	Net Income per share (Diluted) (yen)
FY2008	1,602 04	1,601 15
FY2007	850 42	848 94

(2) Non-consolidated results Forecasts for Fiscal Year 2008 (April 1, 2007 - March 31, 2008)

	Total Assets	Shareholders' Equity	Equity Ratio (%)	Shareholders' Equity per Share (yen)
FY2008	2,500	1,360	54.3	10,128 87
FY2007	2,512	1,361	54.2	9,798 86

(Reference) Equity capital FY2008 ¥1,357million FY2007 ¥1,361million

2. Non-consolidated results Forecasts for Fiscal Year 2008 (April 1, 2007 - March 31, 2008)

(Values in parentheses are rates of growth or decline compared to the previous year, and for the period are percentages compared to the period of the previous fiscal year)

(Millions of yen, rounded down; %)

	Net Sales		Operating Income		Ordinary Income		Net Income		Shareholders' Equity per Share (yen)
		%		%		%		%	(yen)
Interim	5,410	19.7	130	0.2	130	3.0	75	5.0	559.81
Full term	11,160	14.3	400	3.5	400	4.3	230	5.9	1,716.75

※ Notes on the proper use of the forecasts, and other special instructions

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.

1. Business Results

(1) Analysis of Operating Results

① Outline of Results for the Year Ended March 31, 2008 (Fiscal Year 2008)

Although capital investment was on an upward trend supported by solid corporate performance during this consolidated fiscal year, the Japanese economy saw an increasing uncertainties in future amid the sharp appreciation of the yen, in addition to concerns of the economic slowdown stemming from the sub-prime issue in the United States and soaring oil prices.

The mobile telecommunications industry, the principal market in which the Backs Group operates, achieved robust growth from 72.8% to 86.1% in the percentage of subscriptions for third-generation (3G) handsets. The number of mobile phone subscriptions was 102,720,000 in June 2007, 5.7 % 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 cell phone market, and the start of number portability system in November 2006 have further heightened the struggle for market share among communication carriers as the market continues to mature.

With regard to the digital consumer electronics industry, as the growth of the number of broadband subscribers stalled with 32,470,000 internet connection services contracts*2 as of the end of December 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, 62.16 million cards were issued by shinpan credit companies and 5.04 million cards were issued by gasoline retailers.*3 Growth has slowed down in the credit. Due to the new money lending regulations that went into effect in December 2006, which reduced the maximum allowable interest rate, the trend of reviewing the sales promotion strategies is continuing among some card companies, in spite of the full-scale issuance of cards in affiliation with companies outside the card industry and through other means.

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 sand 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 1.0 point year-on-year increase in our gross profit margin. In terms of selling, general and administrative expenses, a 1.0 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 fiscal year 2008 were ¥11,775 million (up 16.9% from the previous fiscal year). Ordinary income was ¥401 million (up 25.6%), and net income was ¥210 million (up 17.2%).

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 (as at December 2006)” (latest data March 18, 2008).

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

② Results by Major Segment

I . By business segment

(a) 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 7,869 million yen during the current interim period (a decrease of 3.2 % compared to the corresponding period of the previous fiscal year) and operating income declined to 486 million yen (an increase of 25.2% compared to the corresponding period of the previous fiscal year).

(b) 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 3,905 million yen (an increase of 101.26% compared to the corresponding period of the previous fiscal year) and an operating income of 113million yen (an increase of 19.6% compared to the corresponding period of the previous fiscal year).

II . By region

(a) 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 consolidated fiscal year totaled 6,904million yen (16.5% increase year on year).

(b) National*2

Nationally, net sales totaled ¥4,870 million (up 17.5% from the previous fiscal year) as a result of steady growth in sales, due mainly to significant increases in the mobile, the digital, and the new businesses sectors.

III . By customer industry

(a) Mobile telecommunications*3

In the mobile communications sector, steady gains were made in securing business from communications carriers and sales outlets nationwide, resulting in an increase in the number of full-time staff utilized. Meanwhile, the transfer of temporary staffs to client companies as their official employees led to a decrease in staff availability for some service lines. Consequently sales for the current consolidated fiscal year totaled 7,042million yen (8.0% increase year on year).

(b) 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 interim consolidated fiscal year totaled 3,063 million yen (44.8% increase year on year).

(c) 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 839 million yen (24.4% decrease year on year).

(d) 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, which started this term, has contributed to the cultivation of new clients, namely in retail and events. Consequently, sales for the current interim consolidated fiscal year totaled 839 million yen (157.1% 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, apparel companies, and call centers excluding 3, 4, 5, above.

③ Financial Outlook for the Fiscal Year 2009

In the next fiscal year, we expect the market's momentum to flag due to the introduction of number portability and the entry of new carriers into our company's main market of mobile communications, but demand will remain robust. In the digital home appliances industry, new demand will be generated thanks to the release of new products, and we forecast strong demand from this source. However, we think the outlook will continue to be unclear in the credit card industry, given the effect of the abolition of gray zone interest rates, which will hold back sales promotion activities. Based on these forecasts, we will continue to bolster sales by continuing to build our regional sales organizations and distribution channels to better serve existing clients, expand our office network, and increase hiring. We are also focusing on gaining greater market share and winning new clients and campaigns. We will begin working on our two new businesses of personnel placement targeted at the entertainment industry and the light work business on a full scale. We will also develop new customer segments and reinforce our ability to effectively assign employees, as measures to further strengthen our sales and revenue base.

Also, in line with the business issues for the current fiscal year, we will aim to further improve the quality of our sales support for the "explanation-requiring products", sales promotion schemes, and the one-stop practice structure targeting the B-to-C businesses, an area of strength for the Backs Group. We will take operation improvement measures, including enhancing structures for human resources investment and internal management, and develop business operation aiming improvement in the medium term profitability.

Based on these factors, our forecasts for the March 2009 term are net sales of ¥14,040 million (up 19.2% from the current fiscal year), ordinary income of ¥500 million (up 24.5% from the current fiscal year) and consolidated net income totaling ¥290 million (up 37.7% from the current fiscal year).

(2) Analysis of Financial Condition

① Assets, liabilities, and capital

Total assets as of the end of the current consolidated fiscal year were ¥2,994 million, recorded a decrease by ¥72 million from last year. In addition, shareholders' equity decreased by ¥11 million from last year to ¥1,652 million.

② Statement of Cash Flows

At the end of the current consolidated fiscal year, the balance of cash and cash equivalents (hereinafter "cash") was ¥828million (down 43.8% from last year). This was due mainly to a decrease in short-term borrowings, an increase in accounts receivable, and payments of dividends.

(Cash flow in operating activities)

Cash used in operating activities during the period was ¥14 million (compared with an income of ¥247 million in the previous period), in spite of the ¥400 million in income before taxes. The main reasons for the decline were the increase in accounts receivable by ¥478 million, increase in accounts payable by ¥78 million, and payments for corporate tax and the like in the amount of ¥86 million.

(Cash flow in investing activities)

Cash used in investing activities during the period was ¥112 million (an increase by 43.9% from the previous period). Major reasons included an expenditure of ¥37 million for the acquisition of business by transfer to start Internet-based employment information services and ¥36 million paid in deposits and guarantees in connection with the opening of new offices.

(Cash flow in financing activities)

Cash used in financing activities was ¥518 million (compared with an income of ¥79 million in the previous fiscal year). Major reasons included expenditures of ¥300 million in payments of short-term borrowing and ¥127 million in payment of dividends.

③Trends in Cash Flow-related Indicators

	FY2006	FY2007	FY2008
Equity ratio (%)	60.3	54.3	55.2
Equity ratio (market value basis) (%)	1,056.5	165.4	94.9
Debt redemption years	–	1.2	–
Interest coverage ratio (times)	1,563.4	206.8	–

Equity ratio = Shareholders' equity / total assets

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

Debt redemptions years: Interest bearing debt/Operating cash flow

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

Interest coverage ratio = Operating cash flow / interest expense

*All indices are calculated on a consolidated basis

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

* Calculations of operating cash flow and interest expense refer to amounts in “cash flow in operating activities” and “interest payments” in the consolidated cash flow statements.

(3) Basic policy on the distribution of profits and dividends for the current term

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 25% based on the consolidated net income.

In view of the above policy, the Company intends to issue a full year dividend of 380 yen per share for the current term.

In view of the above policy, the Company intends to issue a full year dividend of 380 yen per share (consolidated payout ratio of 24.2%). Estimated annual dividends for next fiscal year are ¥540 per share.

(4) 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 (May 12, 2008).

①On 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 that 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 JISQ27001:2006 and in the international standards ISO/IEC27001:2005 of the Information Security Management Systems (ISMS) in March 2007. 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.

As the Group is faced with numerous opportunities to come in contact with personal information including staff information and consumer information, we are working on establishing an adequate control system for handling information based on the Law on the Protection of Personal Information effective April 2005 nationwide.

②Dependency 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 interim consolidated fiscal year the ratio of sales to the particular industry to total sales account for 59.8 % 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 that we will continue our efforts to capture new digital and financial 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	End of term	Interim period	End of term	Interim period	End of term
Mobile	61.5	59.8	61.5	65.1	65.6	59.8
Non-mobile	38.5	40.2	38.5	34.9	34.4	40.2

③Increased sales component percentages to a particular client

The Group's sales to KDDI Corporation during the current consolidated fiscal year accounted for 32.5% 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 (1au one net) 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		
	Sales	Sales component percentage (%)	Composition ratio (%)	Sales	Sales component percentage (%)	Composition ratio (%)	Sales	Sales component percentage (%)	Composition ratio (%)
Consolidated	8,963,331	100.0		10,072,787	100.0		11,775,173	100.0	
K D D I	2,578,900	28.8	(100.0)	3,226,367	32.0	(100.0)	3,311,623	28.1	(100.0)

(Mobile)	2,284,252	25.5	(88.6)	3,018,681	30.0	(93.6)	3,109,236	26.4	(93.9)
(Digital)	294,647	3.3	(11.4)	207,686	2.0	(6.4)	202,387	1.7	(6.1)
(Kanto Region)	1,420,895	15.9	(55.1)	1,485,734	14.7	(46.0)	1,506,491	12.8	(45.5)
(National)	1,158,005	12.9	(44.9)	1,740,633	17.3	(54.0)	1,805,132	15.3	(54.5)

④Social insurance coverage

According to the provisions of the Health Insurance Act and the law on employee pension insurance in offices in which the social insurance system is applied, permanent employees are required to join the social insurance plan. At our firm, we recommend that staff members who are currently being deployed to outsourcing customers be actively employed on a full-time basis, and at the same time we recommend they sign up for social insurance. Also, when a contract period exceeds two months in our placement business, we enroll all qualified staff in the social insurance scheme.

However, there is a possibility that the number of the Backs Group personnel who will join the social insurance scheme would increase if the National Diet decides to expand the guidelines requiring employees to participate in a social insurance plan to include short term blue-collar laborers. If the social insurance fees increase, there will also be an effect on the allocation of expenses in our company as an employer, and this could have an impact on the Backs Group's results.

⑤Securing staff

Staffs 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 those who are not only experienced in the "paper medium" but those who are "mobile-" and "digitally-oriented" and are capable of handling the main products. And to this end, the Group will formulate a WEB-based hiring strategy, while effectively using the Group's own job information site "digibite@.com," "appajob.com" Moreover, we intend to expand our customer base and build a structure that provides diverse operations and employment styles to a wide age group through the temp-to-perm staffing and staff offering for sales channels, thereby enhancing the percentage of successful match between position and resource.

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.

⑥On 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.

⑦On 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.

2. Backs Group Inc. Group Information

The Backs Group Inc., a group of enterprises consisting of the Backs Group Inc and its three subsidiaries, is engaged mainly in the business 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, etc., 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.

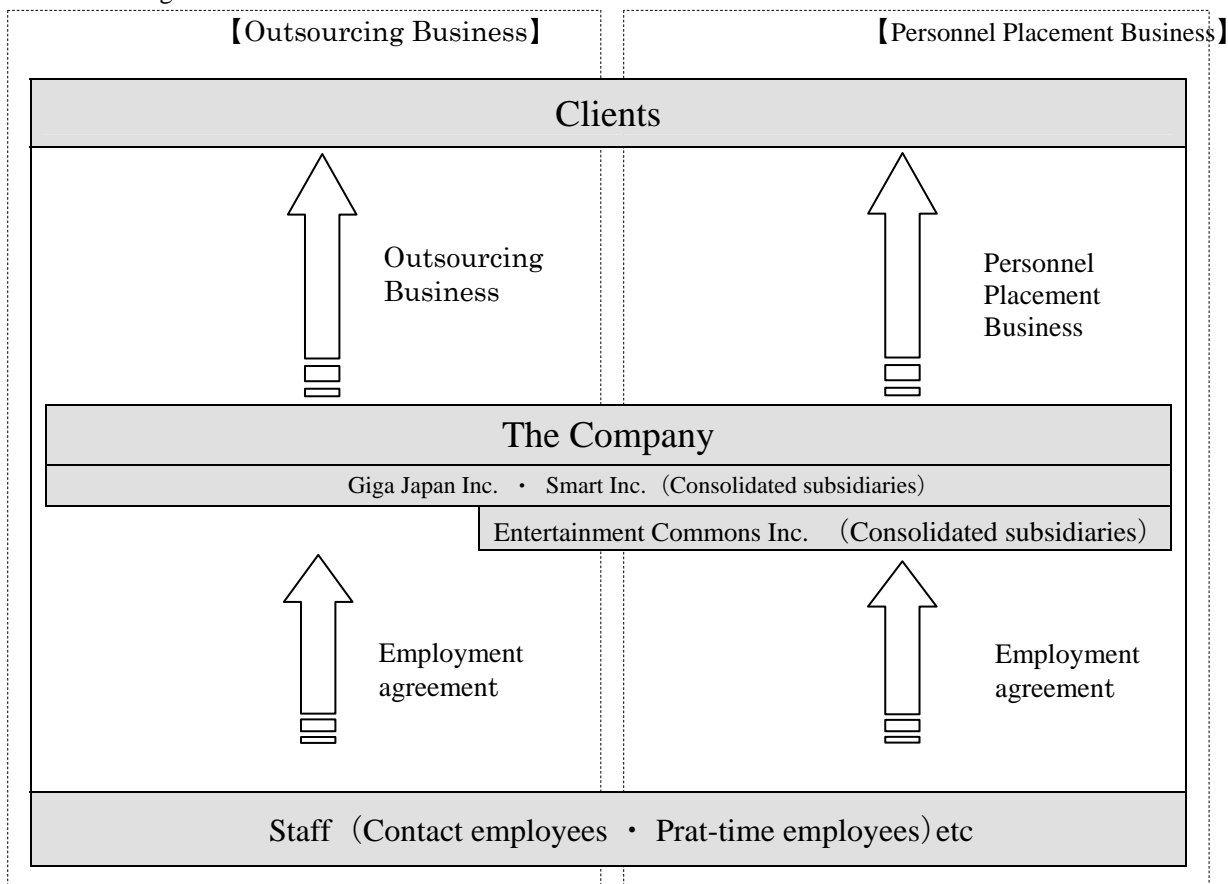
While the Company and Giga Japan Inc., having been commissioned by industry clients to perform their sales promotion activities and by home appliances discount stores/GMSs (General Merchandising Stores) to provide retail support in their sales channels, are mainly involved in the outsourcing business, 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.

Entertainment Commons, which was established in July 2007, will specialize in personnel placement in the entertainment industry and commence operations from the latter half of the current consolidated fiscal year.

Although Entertainment Commons has already commenced its fee-charging personnel placement services and the WEB-based employment information service business from this term, it will not be classified separately in the segment information, as its impact on sales/profits is minimal.

Company name	Address	Capitalization (Thousand of yen)	Business segments	Percentage of voting rights (%)	Content
Giga Japan Inc.	Shibuya-ku Tokyo	20,000	• Outsourcing Business • Personnel Placement Business	100.0	• Managerial Guidance • Undertaking of back-office services • 2 concurrent directors
Smart Inc.	Shibuya-ku Tokyo	15,000	• Outsourcing Business • Personnel Placement Business	100.0	• Managerial Guidance • Undertaking of back-office services • 2 concurrent directors
Entertainment Commons Inc.	Shibuya-ku Tokyo	10,000	• Personnel Placement Business	100.0	• Managerial Guidance • Undertaking of back-office services • 2 concurrent directors

Business diagram



(Note) The Company holds 100% of voting rights in all three of its subsidiaries.

Entertainment Commons Inc. was newly established in July 25 2007.

3. 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 a 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) 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.

(3) 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.”

(4) 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”(http://www.digi-beit.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 launched its specialist recruitment site “Tenshoku (career change) Road” in May 2007, and plans to upgrade its web-based business model by utilizing “appajob.com.” Along with plans to ensure registered applicants, the Company’s own job information site exclusively intended for the apparel industry (http://www.appajob.com/) will begin to post online want ads for employers, make use of the registered applicants’ data and upgrade management of personal information.

(5) 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.

4. Consolidated Balance sheet and Income statement

(1) Consolidated Balance Sheet

(Unit : Thousands of yen)

Item	FY2007 (As of March 31)		FY2008 (As of March 31)		Y on Y	
	Amount	Ratio (%)	Amount	Ratio (%)	Y on Y	
Assets		%		%		
I Current Assets						
1. Cash and cash equivalents	1,474,758		828,350			
2. Notes and accounts receivable	1,147,457		1,625,655			
3. Deferred tax assets	32,476		48,168			
4. Others	46,482		63,278			
Allowance for doubtful accounts	△1,373		△2,269			
Total currents assets	2,699,801	88.0	2,563,182	85.6	△136,619	
II Fixed Assets						
1. Property and equipment						
(1) Buildings and structures	75,323		91,962			
Total deprecoation and amortization	△42,025	33,298	△52,829	39,133		
(2) Intangible fixed assets	86,262		94,300			
Total deprecoation and amortization	△55,610	30,652	△64,573	29,727		
Total tangible fixed assets		63,950		68,861	2.3	4,911
2. Intangible fixed assets						
(1) Software		72,115		91,106		
(2) Others		3,238		5,611		
Total intangible fixed assets		75,353		96,718	3.2	21,364
3. Investments and other assets						
(1) Deposit and guarantees		60,000		60,000		
(2) Deposits and guarantees		166,600		203,584		
(3) Claims for reorganization from bankruptcy		—		172		
(4) Deferred tax assets		573		1,626		
(5) Others		—		224		
Allowance for doubtful accounts		—		△172		
Total investments and other assets		227,173		265,435	8.9	38,262
Total fixed assets		366,477		431,015	14.4	64,538

TOTAL ASSETS	3,066,279	100.0	2,994,198	100.0	△72,081
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(Unit : Thousands of yen)

Item	FY2007 (As of March 31, 2006)		FY2008 (As of March 31, 2007)		Y on Y
	Amount	Ratio (%)	Amount	Ratio (%)	Y on Y
LIABIRITIES		%		%	
I Current Liabilities					
1. Notes and accounts payable	21,733		100,311		
2. Shor-term debt	300,000		-		
3. Tarade liabilities	106,866		103,790		
4. Accrved payable	28,230		151,616		
5. Income taxes payable	97,247		124,705		
6. Accrued expenses	678,786		703,101		
7. Provision for bonuses	47,491		65,023		
8. Others	121,902		90,231		
TOTAL CURRENT LIABIRITIES	1,402,257	45.7	1,338,781	44.7	△63,475
TOTAL LIABIRITIES	1,402,257	45.7	1,338,781	44.7	△63,475
SHAREHOLDERS' EQUITY					
I Shareholder's equity					
1. Capitalization	406,970	13.3	406,970	13.6	-
2. Capital surplus	432,958	14.1	432,958	14.5	-
3. Retained earnings	1,022,379	33.4	1,100,934	36.7	78,555
4. Treasury stock	△198,286	△6.5	△288,470	△9.6	△90,183
TOTAL LIABIRITIES AND SHAREHOLDERS' EQUITY	1,664,021	54.3	1,652,392	55.2	△11,628
II Stock acquisition rights	-	-	3,023	0.1	3,023
TOTAL NET ASEETS	1,664,021	54.3	1,655,416	55.3	△8,605
LIABIRITIES AND NET ASSETS	3,066,279	100.0	2,994,198	100.0	△72,081

(2) **Consolidated Income Statements**

(Unit : Thousands of yen)

Item	FY2007 (As of March 31, 2006)			FY2008 (As of March 31, 2007)			Y on Y
	Amount		Ratio (%)	Amount		Ratio (%)	Y on Y
I Net sales		10,072,787	100.0		11,775,173	100.0	1,702,386
II Cost of sales		7,734,576	76.8		8,891,594	75.5	1,157,017
Gross profit on sales		2,338,210	23.2		2,883,579	24.5	545,368
III Selling, general and administrative expenses ※1		2,011,993	20.0		2,479,344	21.1	467,350
Operating Income		326,216	3.2		404,234	3.4	78,017
IV Non-operating revenues							
1. Interest received	458			1,478			
2. Commissions receivable	250			3,321			
3. Gain on exemption from consumption tax	16			—			
4. Reversal of unpaid dividends	108			403			
5. Others	85	921	0.0	430	5,633	0.1	4,712
V Non-operating income							
1. Interest expense	1,776			1,699			
2. Stock buy-back costs	983			781			
3. Fee to establish a commitment line	2,099			3,942			
4. Claims expenses	2,480			1,871			
5. Others	91	7,431	0.0	22	8,317	0.1	885
Ordinary income		319,706	3.2		401,551	3.4	81,844
VI Extraordinary gains							
1. Gain on sale of investments in securities	72			—			
2. Reversal of reserve for bonuses	—	72	0.0	4,796	4,796	0.1	4,724
VII Extraordinary losses ※2							
1. Loss on retirement of fixed assets	1,127			4,565			
2. Expenses for restoration to original state	—	1,127		1,642	6,207	0.1	5,079
Net income before taxes		318,651	3.2		400,140	3.4	81,489
Corporate tax, resident tax and business tax	146,959			206,323			
Income tax adjustment	△7,946	139,012	1.4	△16,745	189,578	1.6	50,565
Net income		179,639	1.8		210,562	1.8	30,923

(3) **Consolidated statement of Changes in Shareholders' Equity**

Previous consolidated period (April 1, 2006 – March 31, 2007)

(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
change during the consolidated fiscal year						
Capitalization Issue	11,730	11,730	—	—	23,460	23,460
Dividends(*1)	—	—	△88,549	—	△88,549	△88,549
Net Income	—	—	179,639	—	179,639	179,639
Treasury stock acquisition	—	—	—	△156,282	△156,282	△156,282
Treasury stock disposal	—	9	—	4	13	13
Total change during the consolidated fiscal year	11,730	11,739	91,089	△156,278	△41,719	△41,719
Balance of March 31, 2007 (Thousands of yen)	406,970	432,958	1,022,379	△198,286	1,664,021	1,664,021

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

Current consolidated interim period (April 1, 2007 – March 31, 2008)

(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
change during the consolidated fiscal year							
Capitalization Issue			△132,007		△132,007		△132,007
Dividends			210,562		210,562		210,562
Net Income				△90,183	△90,183		△90,183
Treasury stock disposal						3,023	3,023
Total change during the consolidated fiscal year	—	—	78,555	△90,183	△11,628	3,023	△8,605
Balance of March 31, 2008 (Thousands of yen)	406,970	432,958	1,100,934	△288,470	1,652,392	3,023	1,655,416

(4) Consolidated Statement of Cash Flows

(Unit : Thousands of yen)

Item	FY2007 (From Apr 1, 2006 to Mar 31 2007)	FY2008 (From Apr 1, 2007 to Mar 31, 2008)	Y on Y
	Amount	Amount	Y on Y
I Cash flow operating activities			
Net Income before taxes	318,651	400,140	
Depreciation and amortization	46,864	51,648	
Changes in provision for doubtful accounts(Δ=decrease)	391	1,068	
Changes in provision for bounuses	47,491	17,532	
Interest and dividend income	△459	△1,479	
Interest expenses	1,776	1,699	
Loss on retirement of fixed assets	1,127	4,565	
Change in accounts receivable (Δ=decrease)	64,320	△478,197	
Change in accounts payable (Δ=decrease)	△24,279	78,578	
Change in consumption tax payable (Δ=decrease)	△40,739	27,458	
Changes in accrued expenses	73,471	24,896	
Change in trade liabilities	38,644	△10,216	
Others	31,378	△45,293	
Subtotal	558,637	72,399	△486,238
Interset and dividends received	459	1,479	
Interest expenses paid	△1,195	△2,280	
Income taxes paid	△310,817	△86,442	
Net cash from operating activities	247,084	△14,843	△261,928
II Net cash from operating			
Payments for purchases of property and equipment	△22,781	△28,749	
Payments for purchases of intangible fixed assets	△21,967	△9,218	
Payments for purchases of investments in securities	4,302	—	
Payments for deposits and guarantees	△34,230	—	
Payment of deposits and guarantees	△3,701	△36,984	
Business assignment expenses ※2	—	△37,800	
Net cash from investing activities	△78,378	△112,752	△34,374
III Cash flow from financing activities			
Net change in short-term borrowings	300,000	△300,000	
Proceeds from stock issues	23,460	—	
Proceeds from stock issues	△86,741	△127,846	
Cash dividends paid	△157,252	△90,965	
Payments for dividends	79,466	△518,811	△598,278
IV Change in cash and cash equivalents	248,172	△646,408	△894,580

V Cash and cash equivalents at the beginning of the period	1,226,586	1,474,758	248,172
VI Cash and cash equivalents at the end of the period ※1	1,474,758	828,350	△646,408

Segment Information

1. Industry segments

Previous consolidated period (April 1, 2006 – March 31, 2007)

(Unit: Thousands yen of yen)

	Outsourcing business	Temporary Staffing	Total	Elimination s and corporate	Consolidate d
I Sales and operating income					
Net Sales					
(1) Sales to external clients	8,131,953	1,940,833	10,072,787	—	10,072,787
(2) Internal sales or transfers between segments	22,732	—	22,732	(22,732)	—
Total	8,154,685	1,940,833	10,095,519	(22,732)	10,072,787
Operating expenses	7,766,219	1,846,140	9,612,359	134,210	9,746,570
Operating income	388,466	94,692	483,159	(156,942)	326,216
II Assets, depreciation expenses, and capital expenses					
Assets	2,352,635	573,283	2,925,918	140,360	3,066,279
Depreciation and amortization	28,172	4,792	32,965	13,899	46,864
Capital expenditure	19,873	2,951	22,825	23,019	45,844

Current consolidated period (April 1, 2007 – March 31, 2008)

(Unit: Thousands of yen)

	Outsourcing business	Temporary Staffing	Total	Elimination s and corporate	Consolidate d
I Sales and operating income					
Net Sales					
(1) Sales to external clients	7,869,460	3,905,713	11,775,173	—	11,775,173
(2) Internal sales or transfers between segments	36,119	—	36,119	(36,119)	—
Total	7,905,580	3,905,713	11,811,293	(36,119)	11,775,173
Operating expenses	7,419,188	3,792,413	11,211,602	159,336	11,370,938
Operating income	486,391	113,299	599,691	(195,456)	404,234
II Assets, depreciation expenses, and capital expenses					
Assets	1,652,229	1,184,425	2,836,655	157,542	2,994,198
Depreciation and amortization	23,825	13,293	37,118	14,529	51,648
Capital expenditure	21,280	45,530	66,810	16,099	82,909

Note: 1. Business divisions are categorized according to the type and nature of the work,

(1) Major businesses under each category

- ① Outsourcing business..... Field staff business, Rounders (Route sales staff) business
 ② Temporary staffing business Temporary staffing service business

(2) Among the business expenses in the previous fiscal year, ¥156,942 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 current fiscal year, ¥195,456 million of unallocated expenses was included in the “Eliminations and corporate” item. These were mainly expenses associated with the parent company’s management department.

(3) Among assets in the previous consolidated fiscal year, the value of the entire company’s assets included in “Eliminations or corporate” item was ¥140.360 million. Main accounts included in this item are long-term investment funds (investment securities), assets associated with the Operations Department and other accounts.

Among assets for the current consolidated fiscal year, the value of the entire company’s assets included in “Eliminations or corporate” item was ¥157.542 million. Main accounts included in this item are long-term investment funds (investment securities), assets associated with the Operations Department and other accounts.

Production, Orders and Sales

(1) Production

This section has been abridged, as there is no relevant information concerning production due to the nature of the services that the Company provides (outsourcing and temporary staffing).

(2) Orders

This section has been abridged because orders for the services that the Company provides (outsourcing and temporary staffing) consist of both long-term contracts and short-term appointments, which make accurate analysis of order volume difficult.

(3) Sales

Sales by business segment for the fiscal period under review are as follows:

(Unit : Thousands of yen)

Business Segment	Amount	Change
O u t s o u r c i n g	7,869,460	96.8 %
T e m p o r a r y s t a f f i n g	3,905,713	201.2
Total	11,775,173	116.9

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

(Unit : Thousands of yen)

Clients	FY2007		FY2008	
	Amount	Ratio	Amount	Ratio
K D D I	3,226,367	% 32.0	3,311,623	% 28.1

Note 2: Amount does not include consumption tax.