



May 11, 2009

## 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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**Tel:** 03-5793-7836  
**Board of Director's meeting:** May 12, 2008  
**Use of U.S. accounting standards:** No

### 1. Consolidated Results for the FY2009 (April 1, 2008 - March 31, 2009)

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

	Net Sales		Operating Income		Ordinary Income		Net Income	
		%		%		%		%
FY2009	13,060	10.9	448	10.8	447	11.4	177	-15.7
FY2008	11,775	16.9	404	23.9	401	25.6	210	17.2

	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 (%)
	FY2009	1,340.40	1,339.61	10.6	14.9
FY2008	1,550.26	1,549.40	12.7	13.4	3.4

Reference: Equity in net income of affiliates      FY2009      -million      FY2008      -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
	FY2009	2,998	1,697	56.2
FY2008	2,994	1,655	55.2	12,333.68

Reference: Equity capital      FY2009      1,685 million      FY2008      1,652 million

(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
	FY2009	346	-31	-169
FY2008	-14	-112	-518	828

## 2. Dividends

(Record Date)	Dividend per share					Devided price (Full year)	Payout raio (Consolidated)	Ratio of net assets to dividends (Consolidated)
	As of end of 1Q	As of end of 2Q	As of end of 3Q	End of fiscal year	Full year			
FY2008	yen -	yen 0.00	yen -	yen 380.00	yen 380.00	million 50	% 24.5	% 3.1
FY2009	-	0.00	-	340.00	340.00	42	25.4	0.7
FY2010 (Forecasts)	-	0.00	-	520.00	520.00		25.0	

## 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	6,530	1.7	135	-0.6	132	-2.5	62	360.3	467.97
Full term	14,000	7.2	496	10.7	492	10.0	276	55.4	2,083.24

## 4. Others

- (1) Changes in important subsidiaries during the fiscal year (Changes to designated companies that fall within the amended scope of consolidation): Yes

Starting from the current consolidated fiscal year, we have included Smart Communications, Inc. in the scope of consolidation, in conjunction with the acquisition of said company's entire shares as of December 9, 2008.

- (2) Changes in accounting principles, procedures, presentation methods, relating to the preparation of quarterly consolidated financial statements (Items stated under Changes in the Significant Assumptions Underlying the Preparation of the Quarterly Consolidated Financial Statements)

- ① Changes accompanying changes in accounting standards: None  
 ② Changes other than those stated above: Yes

- (3) Number of Share outstanding (Common stock)

- ① Number of Shares outstanding at the end of fiscal year (Included treasury stock)  
 FY2009 148,515 shares FY2008 148,515 shares  
 ② Number of shares outstanding at the end of the fiscal year  
 FY2009 22,541 shares FY2008 14,541 shares

(Reference) Summary of non-consolidated results

## 1. Non-consolidated Results of Operations for the FY2009 (April 1, 2008 - March 31, 2009)

- (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	
		%		%		%		%
FY2009	11,683	19.7	479	24.0	480	25.1	571	162.8
FY2008	9,764	21.8	386	89.7	383	84.4	217	82.1

	Net Income per share (yen)	Net Income per share (Diluted) (yen)
FY2009	4,316.34	4,313.89
FY2008	1,602.04	1,601.15

## (2) Non-consolidated results Forecasts for Fiscal Year 2009 (April 1, 2008 – March 31 2009)

	Total Assets	Shareholders' Equity	Equity Ratio (%)	Shareholders' Equity per Share (yen)
FY2009	3,011	1,796	59.2	14,161.82
FY2008	2,500	1,360	54.3	10,128.87

(Reference) Equity capital FY2009 ¥1,784 million FY2008 ¥1,357million

## 2. Non-consolidated results Forecasts for Fiscal Year 2010 (April 1, 2009 – March 31, 2010)

(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)
		%		%		%		%	
Interim	6,143	14.7	130	-20.2	128	-21.2	57	-13.3	430.23
Full term	1,3125	12.3	479	-0.1	475	-1.1	258	-54.9	1,947.38

※ 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, 2009 (Fiscal Year 2009)

During the period under review, the Japanese economy witnessed the deterioration of corporate earnings including those of the export industries against the backdrop of the rapidly decelerating economies of Europe and the U.S., stemming from the financial crisis and the stronger yen and has been engulfed in a situation where a long-term recessionary phase will be unavoidable. Personal consumption continued to stall, reflecting the severity of the employment/income situation, while tendencies towards contraction were seen in all facets of the economy, making the prospects of a recession all but inevitable.

The mobile telecommunications industry, the principal market in which the Backs Group operates, achieved robust growth from 86.1% to 93.0% in the percentage of subscriptions for third-generation (3G) handsets. The number of mobile phone subscriptions was 107,480,000 as of end of March 2009, 4.6% more than in the corresponding period of the previous fiscal year.<sup>\*1</sup> On the other hand, competition for customers is becoming increasingly fierce as reflected in the introduction of low-fee services and the provision of music, video and other contents services, while the intervals at which customers replace their mobile terminals have become longer due in part to the spread of installment sales schemes.

With regard to the digital consumer electronics industry, as the growth of the number of broadband subscribers stalled with 33,600,000 internet connection services contracts\*2 as of the end of December 2008, demand for fiber-optic communications services has also increased, 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 2008, rose 5.4% year-to-year to 308.59 million; by type of issuer, 121.55million cards were issued by banks, 90.39million cards were issued by retailers, 61.44million cards were issued by shinpan credit companies and 12.67 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 during in the current consolidated fiscal year absorbed two consolidated subsidiaries whose business areas and activities overlapped with the Company on October 1, 2008, with the aim of concentrating business resources and improving the efficiency of management of the Backs Group as a whole. Also in order to offer our customers seamless solutions from the research of distribution channels to planning/execution of over-the-counter sales promotions, we acquired the entire shares of Smart Communications, Inc., a company specializing in providing know-how for over-the-counter sales promotions, including "market research," "verification of the effects of sales promotion measures," and "sales training" in the distribution channels, on December 9, 2008, and made it a consolidated subsidiary of the Group.

Net sales for the current consolidated fiscal year reached an all-time high thanks to large-scale contracts which had become fully operational from the previous fiscal year in the digital consumer electronics and other consumer products fields and the strong performance by the temporary staffing business intended for the music industry.

In terms of profits, gross profit decreased 0.3 points year on year owing to, despite the continued strong performance by profitable large-scale contracts, lower profitability in parts of the digital project in the digital consumer electronics segment and our consolidated subsidiary's job information portal site business turning unprofitable in the previous term. Meanwhile, selling, general and administrative expenses decreased 0.3 points year-on-year owing to the promotion of business consolidation and streamlining, including the consolidation of subsidiaries. On the other hand, ¥4 million in impairment loss on the fixed assets of the eight sites, with respect to

which a decision was made for closure at the end of the fiscal year, and ¥22 million in penalty charges for terminating office lease contract and other closure-related expenses were posted as extraordinary loss, in addition to the ¥26 million in impairment loss on the portal site business that became unprofitable and the ¥42 million in write-down of investment securities.

As a result of these efforts, consolidated net sales for the current consolidated fiscal year 2009 were ¥13,060 million (increase 10.9% from the previous fiscal year). Operating income was ¥448 million (increase 10.8%) Ordinary income was ¥447 million (increase 11.4%), and net income was ¥177 million (decrease -15.7%).

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 2008)” (latest data March 18, 2009).
- \*3 Source: Calculated based on the Japan Consumer Credit Industry Association, “Numbers of Credit cards Issued by Sector (Actual results)”

②Results by Major Segment

I . By business segment

(a) Outsourcing

In the outsourcing operations, despite strong performances by large-scale contracts in the digital consumer electronics and other consumer products fields that became fully operational in the previous fiscal year, as a result of the switch in the type of employment in the mobile telecommunications segment from outsourcing contracts to temporary staffing contracts, the current consolidated fiscal year net sales was 5,076 million yen (35.5% decrease year on year) and operating income was 302 million yen (37.8% decrease year on year).

(b) Temporary staffing

In our temporary staffing business, due to the robust sales recorded by our temporary staffing operations intended for the music industry, in addition to the switch in the type of employment contracts of our mobile telecommunications clients, the current consolidated fiscal year net sales reached 7,983 million yen (104.4% increase year on year) and operating income also reached 397 million yen (250.8% increase year on year).

II . By region

(a) Kanto region\*1

As a result of strong sales in the digital consumer electronics and new consumer fields such as operations intended for the entertainment industry, the current consolidated fiscal year sales in the Kanto area reached 7,933 million yen (14.9% increase year on year).

(b) National\*2

Nationally, expanded businesses in the digital consumer electronics and other consumer products fields led to strong sales, which more than compensated for the diminished campaign demands in the mobile telecommunications and financial services segments, resulting ultimately in the current consolidated fiscal year net sales of 5,126 million yen (5.2% increase year on year).

III. By customer industry

## (a) Mobile telecommunications\*3

Sales in the mobile communications segment in the current consolidated fiscal year was ¥6,662 million (5.4% decrease year on year) as a result of, despite our continued success with the nationwide demand from telecommunication carriers and sales agents and the ensuing increase in the utilization rate of our full-time staff, a decline in campaign-related demand during sales seasons, due to the lengthening of consumer replacement cycle caused by the change in the mobile terminal sales methods of various companies.

## (b) Digital consumer electronics\*4

In the digital consumer electronics segment, strong showings by large-scale contracts, which became fully operational in the previous year and dramatic increases in sales stemming from orders from existing clients as well as orders placed by new clients resulted in interim net sales to reach 3,589 million yen (17.2% increase year on year).

## (c) Financial services\*5

Sales in the financial segment in the current consolidated fiscal year was ¥787 million (6.2% decrease year on year), despite securing large-scale contracts from new customers in the third quarter in addition to capturing a number of large-scale contracts through out continuous efforts to receive orders from existing blue-chip customers, due to the failure to compensate for the decrease in demand in the first quarter.

## (d) New Sectors\*6

In the other consumer products segment, in addition to robust sales from new businesses including temporary staffing to sales channels and the music industry, the increased receipt of orders from new clients resulted in the current consolidated fiscal year net sales of 2,021 million yen (143.6% increase year on year).

## Notes:

\*1: Includes Tokyo, Kanagawa, Saitama, Chiba, Ibaraki, Tochigi, Gunma, Niigata and Yamanashi.

\*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.

## ③Financial Outlook for the Fiscal Year 2010

In terms of the future Japanese economy, while government economic stimulus is expected to produce results, it is anticipated that a considerable period of time will be required for economic recovery, due to reduced capital expenditures and deteriorating employment conditions amid a global recession.

Under these circumstances, it is believed that the business climate will become increasingly severe for our sales promotion industry due mainly to decline in consumption, while the demand for compliance efforts intensifies with the amendment of the Worker Dispatch Law.

On the other hand, in the communications industry, which is a major client, the provision of services integrating mobile communication with fixed communication is being promoted. In the digital consumer electronics industry, it is believed that the sale of energy saving, eco-friendly, or other environmental digital consumer electronics will pick up at the same time the replacement demand for flat panel televisions and the like is boosted as we head towards the 2011 termination of analog broadcasting.

In this environment, the Backs Group will make efforts to expand orders by providing highly customer friendly one-stop services in the area of sales promotion.

Our forecasts for the March 2010 term net sales of ¥14,000 million (7.2% increase year on year), operating income of ¥496 million (10.7% increase year on year), ordinary income of ¥492 million (10.0% increase year on year) and net income of ¥276 million (55.4% increase year on year).

## (2) Analysis of Financial Condition

### ① Assets, liabilities, and capital

Assets for the current consolidated fiscal year increased by ¥4 million from last year, resulting in an asset balance of ¥2,998 million.

This is due primarily to the ¥145 million increase in cash and deposits, despite the ¥82 million decrease in notes and accounts receivable and the ¥48 million decrease in software.

Liabilities decreased by ¥37 million from last year, resulting in a liability balance of ¥1,300 million.

This is due primarily to the ¥39 million decrease in notes and accounts payable and the ¥27 million decrease in trade liabilities, despite the ¥22 million increase in accrued expenses.

Net assets increased by ¥42 million from last year, resulting in a net asset balance of ¥1,697 million as of the end of the current consolidated fiscal year. This is due primarily to the ¥126 million increase in retained earnings, despite the ¥93 million decrease due to the acquisition of treasury stock.

### ② Statement of Cash Flows

At the end of the current consolidated fiscal year, the balance of cash and cash equivalents (hereinafter “cash”) was ¥973 million.

#### (Cash flow in operating activities)

Cash used in operating activities during the period was ¥346 million, in spite of the ¥43 million decrease in accounts payable. The main reasons were the income before taxes in the amount of ¥351 million and a decrease in accounts receivable by ¥92 million.

#### (Cash flow in investing activities)

Cash used in investing activities was ¥31 million. The main reasons were expenditures of ¥15 million in deposits and guarantees and of ¥17 million in acquisition of property and equipment for the purchase of fixtures.

#### (Cash flow in financing activities)

Cash used in financing activities was ¥169 million. The main reasons were the expenditures of ¥94 million for the acquisition of treasury stock and the payment of dividends in the amount of ¥51 million.

### ③ Trends in Cash Flow-related Indicators

	FY2006	FY2007	FY2008	FY2009
Equity ratio (%)	60.3	60.3	55.2	56.2
Equity ratio (market value basis) (%)	1,056.5	165.4	94.9	37.8
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

Cash flow to interest-bearing debt ratio: Interest bearing debt/ Cash flow

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 refers to amounts in “cash flow in operating activities” in the consolidated cash flow statements.

\* Interest-bearing debts include all debts posted in the consolidated balance sheet that are subject to interest payments.

### (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 340 yen per share (consolidated payout ratio of 25.4%) for the current term.

Estimated annual dividends for next fiscal year are ¥520 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 Summary of Consolidated Earnings Report (May 11, 2009).

#### ① On the management of personal information

As the Group is faced with numerous opportunities to come in contact with personal information including staff information and consumer information, we practice ample management in regards to its handling. We are making efforts to provide adequate education and training to operational staff 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 consolidated fiscal year the ratio of sales to the particular industry to total sales account for 51.0 % 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 2007	FY 2008	FY 2009
Mobile	65.1	59.8	51.0
Non-mobile	34.9	40.2	49.0

## ③Increased sales component percentages to a particular client

The Group's sales to KDDI Corporation during the current consolidated fiscal year accounted for 23.3% 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 (BBC) 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 2007			FY 2008			FY 2009		
	Sales	Sales component percentages (%)	Composition ratio (%)	Sales	Sales component percentages (%)	Composition ratio (%)	Sales	Sales component percentages (%)	Composition ratio (%)
Consolidated	10,072,787	100.0		11,775,173	100.0		13,060,113	100.0	
K D D I	3,226,367	32.0	(100.0)	3,311,623	28.1	(100.0)	3,048,295	23.3	(100.0)
(Mobile)	3,018,681	30.0	(93.6)	3,109,236	26.4	(93.9)	2,909,479	22.3	(95.4)
(Digital)	207,686	2.0	(6.4)	202,387	1.7	(6.1)	138,815	1.1	(4.6)
(Kanto Region)	1,485,734	14.7	(46.0)	1,506,491	12.8	(45.5)	1,595,574	12.2	(52.3)
(National)	1,740,633	17.3	(54.0)	1,805,132	15.3	(54.5)	1,452,720	11.1	(47.7)

## 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.

⑤ Securing 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.

⑥ On laws and regulations

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

⑦ On business approvals and licenses

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

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

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

## 2. Backs Group Inc. Group Information

The Backs Group Inc., a group of enterprises consisting of the Backs Group Inc. and its two subsidiaries, is engaged mainly in the business of outsourcing, temporary staffing and market research in retail support and sales promotion for BtoC (Business to Consumer) companies, including digital consumer electronics manufacturers, mobile phone companies, consumer products companies, 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 cosmetic, toiletry and everyday items, and “contract-based products” such as broadband and financial services.

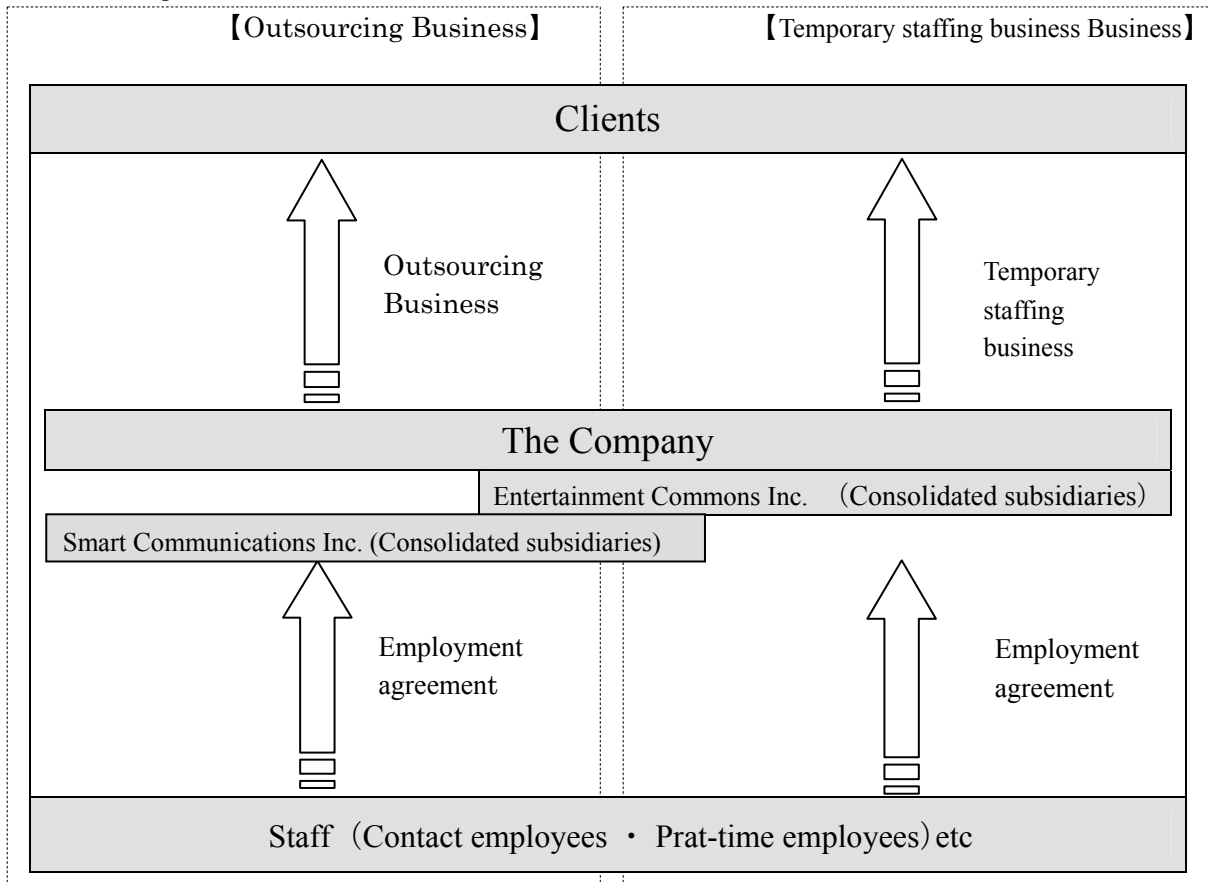
While the Company having been commissioned by industry clients to perform their sales promotion activities and by home appliances discount stores/GMSs (General Merchandising Stores) to provide retail support in their sales channels, are mainly involved in the outsourcing business, they are also involved in the personnel placement business to the extent of answering to customer needs.

Entertainment Commons specializes in temporary staffing business in the entertainment industry with focus on the music industry.

The main business of Smart Communications, Inc., the entire shares of which were acquired on December 9, 2008, is to provide know-how for over-the-counter sales promotions, including market research and verification of the effects of sales promotion measures in the distribution channels.

Company name	Address	Capitalization (Thousand of yen)	Business segments	Percentage of voting rights (%)	Content
Entertainment Commons Inc.	Shibuya-ku Tokyo	10,000	• Outsourcing business • Temporary staffing business	100.0	• Managerial Guidance • Undertaking of back-office services • 3 concurrent directors
Smart Communications Inc.	Shibuya-ku Tokyo	95,000	• Outsourcing business • Temporary staffing business	100.0	• Managerial Guidance • Undertaking of back-office services • 3 concurrent directors

Business diagram



(Note) The Company holds 100% of voting rights in all two of its subsidiaries.  
 Smart Communications Inc. became a subsidiary as of December 9, 2008.

### 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 5% 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, the Group will expand its customer base by building on its expertise in over-the-counter sales promotion acquired over the years to provide temporary staffing services to various sales channels in addition to its retail/sales services of BtoC companies by “orange collar staff.” By doing so, 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 promote the realization of plans for an efficient hiring media and the effective use of the Group’s own job information site, “digibite@.com”(http://digibeit.com/).

Furthermore, in its specialized temporary staffing business, the Group plans to upgrade its web-based business model by making effective use of “appajob.com” (http://www.appajob.com/), the Company’s own job information portal site exclusively intended for the apparel industry, to ensure registered applicants, post online want ads for employers, make use of the registered applicants’ data and upgrade management of personal information.

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.

(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	FY2008	FY2009
	(March 31, 2008)	(March 31, 2009)
	Amount	Amount
<b>Assets</b>		
I Current Assets		
1. Cash and cash equivalents	828,350	973,512
2. Notes and accounts receivable	1,625,655	1,543,228
3. Deferred tax assets	48,168	59,342
4. Others	63,278	53,884
Allowance for doubtful accounts	-2,269	-5,428
<b>Total currents assets</b>	<b>2,563,182</b>	<b>2,624,538</b>
II Fixed Assets		
1. Property and equipment		
(1) Buildings and structures	91,962	98,249
(2) Accumulated depreciation	-52,829	-62,866
(3) Buildings and structures (net)	39,133	35,382
(4) Tools, furnitures and fixtures (net)	94,300	90,278
(5) Depreciation and amortization	-64,573	-66,124
(6) Tools, furnitures and fixtures (net)	29,727	24,154
<b>Total fixed assets</b>	<b>68,861</b>	<b>59,536</b>
2. Intangible fixed assets		
(1) Software	91,106	43,105
(2) Others	5,611	14,253
<b>Total intangible fixed assets</b>	<b>96,718</b>	<b>57,359</b>
3. Investments and other assets		
(1) Investments in securities	60,000	21,204
(2) Deposits and guarantees	203,584	210,297
(3) Deferred tax assets	1,626	25,758
(4) Others	397	3,530
Allowance for doubtful accounts	-172	-3,530
<b>Total investments and other assets</b>	<b>265,435</b>	<b>257,260</b>
<b>Total fixed assets</b>	<b>431,015</b>	<b>374,156</b>
<b>Total Assets</b>	<b>2,994,198</b>	<b>2,998,695</b>

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

(Unit : Thousands of yen)

Item	FY2008	FY2009
	(March 31, 2008)	(March 31, 2009)
	Amount	
<b>LIABILITIES</b>		
I Current Liabilities		
1. Notes and accounts payable	100,311	60,684
2. Trade liabilities	103,790	76,319
3. Income taxes payable	151,616	117,179
4. Consumption tax payable	124,705	146,426
5. Accrued expenses	703,101	725,467
6. Allowance for bonus payable	65,023	73,076
7. Others	90,231	101,779
8. Total current liabilities	1,338,781	1,300,933
<b>Total Liabilities</b>	<b>1,338,781</b>	<b>1,300,933</b>
<b>SHAREHOLDERS' EQUITY</b>		
I Shareholder's equity		
1. Capitalization	406,970	406,970
2. Capital surplus	432,958	432,958
3. Retained earnings	1,100,934	1,227,609
4. Treasury stock	-288,470	-382,410
<b>Total Shareholders' Equity</b>	<b>1,652,392</b>	<b>1,685,127</b>
II Valuation and translation adjustments		
1. Net unrealized gain/loss on other securities	-	561
Total valuation And translation adjustments	-	561
III Stock acquisition rights	3,023	12,073
Total net assets	1,655,416	1,697,762
<b>Total Liabilities And Net Assets</b>	<b>2,994,198</b>	<b>2,998,695</b>

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

(2) **Consolidated Income Statements**

(Unit : Thousands of yen)

Item	FY2008 (April 1, 2007 - March 31, 2008)	FY2009 (April 1, 2008 - March 31, 2009)
	Amount	
I Net sales	11,775,173	13,060,113
II Cost of sales	8,891,594	9,896,616
Gross profit on sales	2,883,579	3,163,496
III selling, general and administrative expenses	2,479,344	2,715,430
Operating Income	404,234	448,065
IV Non-operating revenues		
1. Interest received	1,478	1,178
2. Commissions receivable	3,321	204
3. Reversal of unpaid dividends	403	280
4. Others	430	380
Total non-operating revenues	5,633	2,044
V Non-operating income		
1. Interest expenses	1,699	3
2. Stock buy-back costs	781	615
3. Fee to establish a commitment line	3,942	2,202
4. Claims expenses	1,871	-
5. Others	22	86
Total non-operating income	8,317	2,908
Ordinary income	401,551	447,201
VI Extraordinary gains		
1. Reversal of reserve for bonuses	4,796	2,062
Total extraordinary gains	4,796	2,062
VII Extraordinary Loss		
1. Loss on sale of fixed assets	-	530
2. Loss on retirement of fixed assets	4,565	238
3. Write-down of investment securities	-	42,470
4. Impairment loss	-	31,446
5. Expenses for restoration to original state	1,642	11,116
6. Penalty charges for terminating office lease contract	-	10,911
7. Cancellation penalties	-	1,500
Total extraordinary loss	6,207	98,212
Net income before taxes	400,140	351,051
Corporate tax, resident tax and business tax	206,323	208,773
Income taxes adjustments	-16,745	-35,306
Total corporate tax	189,578	173,466
Net income	210,562	177,584

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

(Unit: Thousands yen of yen)

Item	FY2008 (April 1, 2007 - March 31, 2008)	FY2009 (April 1, 2008 - March 31, 2009)
	Amount	
<b>Shareholders' equity</b>		
I Capital Stock		
Balance as of the end of the previous fiscal year	406,970	406,970
Change during the current fiscal year		
Total change during the current fiscal year	-	-
Balance as of the end of the current fiscal year	406,970	406,970
II Total Capital Surplus		
Balance as of the end of the previous fiscal year	432,958	432,958
Change during the current fiscal year	-	-
Total Change during the current fiscal year	-	-
Balance as of the end of the current fiscal year	432,958	432,958
III Retained Earnings		
Balance as of the end of the previous fiscal year	1,022,379	1,100,934
Change during the current fiscal year		
Dividends	-132,007	-50,910
Net Income	210,562	177,584
Total Change during the current fiscal year	78,555	126,674
Balance as of the end of the current fiscal year	1,100,934	1,227,609
IV Treasury Stock		
Balance as of the end of the previous fiscal year	-198,286	-288,470
Change during the current fiscal year		
Treasury stock aquisition	-90,183	-93,940
Total Change during the current fiscal year	-90,183	-93,940
Balance as of the end of the current fiscal year	-288,470	-382,410
V Total Shareholders' Equity		
Balance as of the end of the previous fiscal year	1,664,021	1,652,392
Change during the current fiscal year		
Dividends	-132,007	-50,910
Net income	210,562	177,584
Treasury stock aquisition	-90,183	-93,940
Total Change during the current fiscal year	-11,628	32,734

Balance as of the end of the current fiscal year	1,652,392	1,685,127
VI Valuation and translation adjustments		
Net unrealized gain/loss on other securities		
Balance as of the end of the previous fiscal year	-	-
Change during the current fiscal year		
Treasury stock disposal (net)	-	561
Total Change during the current fiscal year	-	561
Balance as of the end of the current fiscal year		561
Total Valuation and translation adjustments		
Balance as of the end of the previous fiscal year	-	-
Balance as of the end of the current fiscal year	-	561
V Stock subscription rights		
Balance as of the end of the previous fiscal year	-	3,023
Change during the current fiscal year		
Treasury stock disposal (net)	3,023	9,049
Balance as of the end of the current fiscal year	3,023	9,049
Balance as of the end of the current fiscal year	3,023	12,073
VI Total Net Assets		
Balance as of the end of the previous fiscal year	1,664,021	1,665,416
Change during the current fiscal year		
Dividends	-132,007	-50,910
Net income	210,562	177,584
Treasury stock acquisition	-90,183	-93,940
Treasury stock disposal (net)	3,023	9,611
Balance as of the end of the current fiscal year	-8,605	42,345
Balance as of the end of the current fiscal year	1,655,416	1,697,762

(4) **Consolidated Statement of Cash Flows**

(Unit : Thousands of yen)

	FY2008 (April 1, 2007 – March 31, 2008)	FY2009 (April 1, 2008 – March 31, 2009)
	Amount	
<b>I Cash flow operating activities</b>		
Income before income taxes and minority interests	400,140	351,051
Depreciation and amortization	51,648	49,146
Impairment loss	-	31,446
Changes in provision for doubtful accounts	1,068	3,941
Changes in provision for bonuses	17,532	8,052
Interest and dividend income	-1,479	-1,329
Interest expense	1,699	3
Loss on retirement of fixed assets	4,565	238
Write-down of investment securities	-	42,470
Loss on sale of property and equipment	-	530
Change in accounts receivable	-478,197	92,448
Change in accounts payable	78,578	-43,754
Change in consumption tax payable	27,458	21,683
Changes in accrued expenses	24,896	19,893
Change in trade liabilities	-10,216	-22,935
Others	-45,293	37,007
Subtotal	72,399	589,892
Interest and dividends received	1,479	1,309
Interest payments	-2,280	-3
Income taxes paid	-86,442	-244,746
Net cash from operating activities	-14,843	346,451
<b>II Net cash from investing activities</b>		
Payments for purchases of property and equipment	-28,749	-17,334
Proceeds from sales of property and equipment	-	8
Payments for purchases of intangible fixed assets	-9,218	-14,466
Payment of deposits and guarantees	-36,984	-15,603
Proceeds from cancel of the deposits and guarantees	-	8,889
Proceeds from withdrawal of time deposits	-	4,000
Payments for transfer of business	-37,800	-
Proceeds from business transfer	-	3,000
Payments for purchase of shares of subsidiaries accompanying changes in the scope of consolidation	-	-493
Net cash from investing activities	-112,752	-31,998
<b>III Cash flow from financing activities</b>		
Net change in short-term borrowings	-300,000	-
Repayment of long-term debt	-	-23,438
Payments for dividends	-127,846	-51,297
Proceeds from sale of treasury stock	-90,965	-94,555
Cash flow from Financing Activities	-518,811	-169,291
<b>IV Change in cash and cash equivalents</b>	-646,408	145,162
<b>V Cash and cash equivalents at the</b>	<b>1,474,758</b>	<b>828,350</b>

beginning of the period		
VI Cash and Cash equivalents, end of Fiscal year	828,350	973,512

**Segment Information****1. Industry segments**

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

(Unit: Thousands of yen)

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

Current consolidated period (April 1, 2008 – March 31, 2009)

(Unit: Thousands of yen)

	Outsourcing business	Temporary Staffing	Total	Eliminatio ns and corporate	Consolidated
<b>I Sales and operating income</b>					
<b>Net Sales</b>					
(1) Sales to external clients	5,076,434	7,983,678	13,060,113	—	13,060,113
(2) Internal sales or transfers between segments	12,038	—	12,038	(12,038)	—
<b>Total</b>	<b>5,088,473</b>	<b>7,983,678</b>	<b>13,072,152</b>	<b>(12,038)</b>	<b>13,060,113</b>
<b>Operating expenses</b>	<b>4,786,089</b>	<b>7,586,258</b>	<b>12,372,348</b>	<b>239,699</b>	<b>12,612,047</b>
<b>Operating income</b>	<b>302,384</b>	<b>397,419</b>	<b>699,803</b>	<b>(251,738)</b>	<b>448,065</b>
<b>II Assets, depreciation expenses, and capital expenses</b>					
<b>Assets</b>	<b>1,116,014</b>	<b>1,722,146</b>	<b>2,838,160</b>	<b>160,534</b>	<b>2,998,695</b>
<b>Depreciation and amortization</b>	<b>13,053</b>	<b>21,768</b>	<b>34,821</b>	<b>14,324</b>	<b>49,146</b>
<b>Capital expenditure</b>	<b>2,429</b>	<b>3,290</b>	<b>5,720</b>	<b>18,403</b>	<b>24,123</b>

- Note:
- Business divisions are categorized according to the type and nature of the work,
  - Major businesses under each category
    - Outsourcing business..... Field staff business, Rounders (Route sales staff) business
    - Temporary staffing business ..... Temporary staffing service business
  - Among the business expenses in the previous 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.  
Among the business expenses in the current fiscal year, ¥251.738 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 assets in the previous 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) and assets associated with the Operations Department.

Among assets for the current consolidated fiscal year, the value of the entire company's assets included in "Eliminations or corporate" item was ¥161.081 million. The main accounts included in this item are long-term investment funds (investment securities) and assets associated with the Operations Department.

5. Change in Significant Matters, etc. Underlying the Preparation of Consolidated Financial Statements.

As stated in "Significant Matters - Change in Significant Matters, etc. Underlying the Preparation of Consolidated Financial Statements," the Company has changed to the method of accounting for claims expenses, which had heretofore been accounted for as non-operating expenses, as cost of sales beginning with the current consolidated fiscal year.

The change has resulted in a decrease in operating income for the current consolidated fiscal year by ¥1.207 million in the outsourcing business and by ¥1.636 million in the temporary staffing business.