



May 9, 2011

## Summary of Consolidated Earnings Report for the Fiscal Year Ending March 31, 2011

**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  
**Use of U.S. accounting standards:** None

### 1. Consolidated Results for the FY2011 (April 1, 2010 – March 31, 2011)

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

	Net Sales		Operating Income		Ordinary Income		Net Income	
		%		%		%		%
FY2011	12,489	5.7	383	30.2	377	26.6	217	37.1
FY2010	11,811	-9.6	294	-34.2	298	-33.3	159	-10.5

Notes: Comprehensive Income FY2011 228 million (38.4%) FY2010 165 million (-%)

	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 (%)
	FY2011	1,730.18	1,729.72	11.5	11.7
FY2010	1,262.28	1,261.77	9.1	9.8	2.5

Reference: Equity in earnings(losses) of unconsolidated subsidiaries and affiliates FY2011 4 million FY2010 - 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
	FY2011	3,411	2,121	57.9
FY2010	3,060	1,922	59.0	14,322.75

Reference: Equity capital FY2011 1,976 million FY2010 1,804 million

### 2. Dividends

(Record Date)	Dividend per share				
	1Q	2Q	3Q	4Q	Full year
FY2010	—	0.00	—	360.00	360.00
FY2011	—	0.00	—	440.00	440.00
FY2012 (forecasts)	—	0.00	—	400.00	400.00

## 3. Forecasts for Fiscal Year 2012 (April 1, 2011 - March 31, 2012)

(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	6,453	5.4	140	-17.8	140	-13.5	70	-8.5	555.67
Full term	13,355	6.9	400	4.2	400	5.9	200	-8.2	1,587.63

## 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) Changes in accounting principles, procedures, presentation methods, relating to the preparation of consolidated financial statements (Items stated under Changes in the Significant Assumptions Underlying the Preparation of the Consolidated Financial Statements)
- ① Changes accompanying changes in accounting standards: Yes
- ② Changes other than those stated above: None
- (3) Number of Share outstanding (Common stock)
- ① Number of Shares outstanding at the end of fiscal year (Included treasury stock)
- |        |                |        |                |
|--------|----------------|--------|----------------|
| FY2011 | 125,974 shares | FY2010 | 148,515 shares |
|--------|----------------|--------|----------------|
- ② Number of shares outstanding at the end of the fiscal year
- |        |          |        |               |
|--------|----------|--------|---------------|
| FY2011 | - shares | FY2010 | 22,541 shares |
|--------|----------|--------|---------------|

## (Reference) Summary of non-consolidated results

## 1. Non-consolidated Results of Operations for the FY2011 (April 1, 2010 - March 31, 2011)

## (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	
		%		%		%		%
FY2011	11,571	4.4	331	25.4	323	19.6	124	-10.3
FY2010	11,084	-5.1	264	-44.9	270	-43.6	138	-75.8

	Net Income per share (yen)	Net Income per share (Diluted) (yen)
FY2011	984.73	984.47
FY2010	1,097.56	1,097.11

## (2) Non-consolidated results Forecasts for Fiscal Year 2011 (April 1, 2010 - March 31, 2011)

	Total Assets	Shareholders' Equity	Equity Ratio (%)	Shareholders' Equity per Share (yen)
	FY2011	3,276	2,000	59.8
FY2010	2,950	1,907	63.7	14,920.50

(Reference) Equity capital FY2011 ¥1,958 million FY2010 ¥1,880 million

## 2. Non-consolidated results Forecasts for Fiscal Year 2012 (April 1, 2011 - March 31, 2012)

(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		Shareholders' Equity per Share (yen)
		%		%		%	(yen)
Interim	6,355	17.7	135	13.3	75	-	595.36
Full term	13,146	13.6	380	17.4	200	61.2	1,587.63

\* Regarding the implementation of audit procedures in the display of this document

This earnings announcement is exempted from the Financial Instruments and Exchange Act founded in the audit procedures, and at the time of the disclosure of this earnings announcement the auditing procedures for the financial statements in this document have not been completed.

\* Explanation of appropriate usage of earnings estimates and other notes

All earnings estimates and forward looking statements in this document are based on the best information available and rational decisions of management at the time of its preparation, and actual earnings may diverge largely from those estimates and forward looking statements put forward in this document due to various unforeseen factors.

Moreover, for information regarding earnings estimates and the assumptions upon which they are based, and the usages of these earnings estimates, please refer to the section “Analysis of Earnings Performance” on page 5.

\* Our company expects to conduct a meeting to explain our earnings results to investors. And we will disclose the documents, questions and answers and other information provided in and streaming video of the meeting on our website as soon as possible.

- Meeting for institutional investors and analysts: Tuesday, May 10, 2011

※ 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.

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**【Qualitative Information and Financial Statements】****1. Earnings Performance****(1) Analysis of Earnings Performance**

During the fiscal year under review, the Japanese economy was supported by economic strength in China, India and other developing nations, and showed signs of a recovery on the back of the strong demand from Asia. However the the Great East Japan Earthquake that struck on March 11, 2011 sparked a slowdown in economic activities and has cast a shadow over the future of the Japanese economy.

With regards to the mobile telecommunications market, domestic shipments of handsets turned positive in the fourth quarter, and demand began a recovery overall on the back of the replacement cycle and subsequent purchases of smart phones and other multi function cellular handsets, and the introduction of new products by the various cellular telephone service providers.

In the realm of digital consumer electronics, DSL contracts continued to decline, falling by 4.4% year-over-year to 8.59 million, while broad band service contracts rose by 1.7% year-over-year to 34.59 million and FTTH contracts rose by 3.4% year-over-year to 19.77 million, amongst the various types of Internet-access services as of December 2010.

In the credit card industry, total credit cards issued rose by 1.4% year-over-year to 322.33 million as of end March 2010. By type of issuers of credit cards, most of the issuers saw stagnant growth in cards issued with banks having issued 133.36 million cards, distribution industry 99.57 million cards, consumer credit companies 47.33 million cards, and various manufacturers 12.97 million cards. Due in part to an expansion in the usages of credit cards to include purchases of daily goods and for medical services and goods, the market continued to grow. However the implementation of stricter guidelines called for in the revised Moneylending Control Act contributed to a contraction in the promotional activities to gain new card members.

However the Great Eastern Japan Earthquake caused interruptions in the supply chain process, and planned power outages led to a weakening in consumption and corporate activities. Consequently considerable uncertainty has been cast over the future of the Japanese economy.

Against this backdrop, the Backs Group acquired 20% of the shares of ICR Co., Ltd., which provides services to government agencies and financial institutions, turning it into an equity accounting method held affiliate. This company offers fee collections services and survey services to public utilities companies, and leverages our facility network to undertake consignment of the premium collection function of national pension payments for the Japan Pension Service. We seek to fortify the stability of our earnings by expanding the lineup of our new businesses and we believe this work is significant in terms of its contribution to society. Moreover we are introducing various sales training programs that leverage our knowhow in the realm of sales promotion that are custom tailored to match the features of our products and services. At the same time we will create a structure that focus upon providing high quality services, and quickly responding to changes in customers' diversified needs and in the operating environment like a law revision.

With regards to sales, restraint in sales promotion in light of the earthquake disaster and reductions in retail store operating hours resulting from rolling power outages caused sales to fall below our estimates. However, the acquisition of new large lump-sum consigned work projects in the mobile telecommunications and digital consumer electronics realm and the increasing demand for human resources in smart phones relations allowed our consolidated sales to rise above the previous year's levels.

With regards to profits, efforts to reduce sales promotion expenses in light of the weak economy and restraint in year end sales campaigns due to the earthquake disaster caused relatively high profitability sales campaign

projects to decline. Therefore gross margins fell by 1.2% points year-over-year. At the same time improvements in the effectiveness of our worker hiring activities led to reductions in hiring costs, and other company wide efforts to reduce expenses and optimization of operations also allowed sales, general and administrative (SG&A) margins to decline by 1.8% points year-over-year.

In addition, ¥12 million in non-operating expenses arising from the establishment of a new company in China and other related expenses, ¥20 million in extraordinary income resulting from the liquidation of marketable securities, and ¥20 million in extraordinary loss from the implementation of asset retirement obligation accounting standards were reported.

With regards to physical damages resulting from the earthquake disaster, collapse of facilities related to the structures of our Sendai and Mito offices forced us to implement asset retirement accounting but the value amount of the retirement loss was negligible.

As a result of the above factors, net sales rose by 5.7% year-over-year to ¥12.489 billion, and operating, ordinary, and net incomes grew by 30.2%, 26.6% and 37.1% year-over-year to ¥383, ¥377, and ¥217 million respectively.

\*1 Source: Calculated Using the Ministry of Internal Affairs and Communications' Report "Quarterly Data Relating to Telecommunications Services Contract Numbers and Share", 3Q of FY2010 at end December

\*2 Source: Calculated Using the Japan Consumer Credit Industry Association Report "Credit Cards Numbers by Type of Issuers"

## &lt; Main Business Segment Information &gt;

## (1) By business segment

(a) Outsourcing Business

In the outsourcing business segment, demand for sales staff with the ability to explain the various highly sophisticated functions of handset terminals is increasing and the start of lump-sum consignment of orders on an area wide basis have contributed to increases in orders. Furthermore, sales of large entertainment event operation consignment increased. Consequently sales and operating income rose by 27.3% and 43.0% year-over-year to ¥5,565 and ¥230 million respectively.

(b) Personnel Dispatch Business

In the personnel dispatch business, the switch to consigned work model in mobile applications and the approach of the switch from dispatch to direct employment by one major carrier, and restraint in new card membership campaign activities due to revisions in the revised Moneylending Control Act in the field of financial services led to a 6.9% year-over-year decline in sales to ¥6.924 billion. At the same time operating income rose by 14.7% year-over-year to ¥153 million.

## (2) By region

(a) Kanto region\*1

In the Kanto region, the start of new fee schedules and services for mobile handsets and the launch of sales of smart phones and other high functionality handsets led to an expansion in orders from cellular phone service carriers. Furthermore increases in shopping mall card membership promotion orders and large event operations orders allowed sales to rise by 3.5% year-over-year to ¥7.498 billion.

(b) National\*2

On a nationwide basis, the implementation of the revised Moneylending Control Act led to restraint in sales promotions targeting new card members, and reductions in sales promotional budgets of cellular telephone service carriers contributed to a decline in sales. However the acquisition of a large lump-sum consignment project and increased demand for staff with the ability to sell high functionality smart phone and other handset terminals also contributed largely to the sales increase of 9.2% year-over-year to ¥4.991 billion.

## (3) Customers by Industry

(a) Mobile telecommunications\*3

In the mobile telecommunications industry, orders for sales campaigns declined due to restraint in sales promotion, while demand for sales staff with the ability to explain and sell smart phones and tablets with high functionality that can be used to enjoy a wide range of contents increased. Consequently, sales rose by 8.0% year-over-year to ¥6.728 billion.

(b) Digital consumer electronics\*4

In the realm of digital consumer electronics, strong demand for new membership services for pay-TV channels, and the expansion in the area covered by the large lump-sum consignment project contributed to increased orders and a general recovery in business. However in some areas competition to acquire these large lump-sum consignment projects led to declines in sales. Therefore sales declined by 3.2% year-over-year to ¥3.29 billion.

(c) Financial services\*5

In the financial services sector, demand for shopping mall card campaigns was strong, but restrained new card member promotion activities led to a decline in sales of 18.4% year-over-year to ¥424 million.

(d) New Sectors\*6

In the others segment, large increases in the number of consigned work for large entertainment event projects and growth in orders for consumer goods sales campaigns allowed sales to grow by 23.3% year-over-year to ¥2.046 billion.

Notes:

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

\*2: Regions other than those mentioned in \*1

\*3: Mobile telecommunications carriers (including carriers and sales representatives)

\*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: Other than those general consumer products manufacturers, retailers, distribution, and entertainment companies mentioned in \*3, \*4, and \*5

## Earnings Estimates

With regards to our earnings estimates for the coming fiscal year, the fear that the Great Eastern Japan Earthquake could contribute to a slowing in the Japanese economy is rising, accompanied by concerns over further worsening of stagnant consumer spending and weak employment trends, restrictions in shipments resulting from disruptions in the supply chain process, and reductions in store operating hours due to rolling black outs that are expected in the near term. Consequently the environment in which we operate is growing in severity.

Against this backdrop, our Group will not only focus upon fortifying its existing businesses, but also expanding the range of its services as a unified group to fortify our management foundation and increase our earnings.

Furthermore with regards to the coming term, we need to remain focused upon any potential changes in the revised Worker Dispatching Act, while at the same time promoting sales by leveraging our knowhow and facilitating our management structure so that we can further expand our existing businesses.

Consequently during fiscal year March 2012 we expect sales to rise by 6.9% year-over-year to ¥13.355 billion, and operating, ordinary, and net incomes to rise by 4.2%, 5.9%, and 8.2% year-over-year to ¥400, ¥400, and ¥200 million respectively.

Furthermore with regards to the impact upon our Group from the earthquake disaster, as of this current point in time there is the possibility for various factors to impact our performance and lead to a large divergence in our results from our estimates. In the event that there are any divergences or developments in our earnings estimates, we will report them as quickly as possible.

## (2) Analysis of Financial Condition

### ① Conditions of Assets, Liabilities, Net Assets

During the current term, total consolidated assets rose by ¥350 million from the end of the previous term to ¥3.411 billion.

The main factors influencing assets were declines in deposits and security deposits of ¥26 million and goodwill of ¥22 million, and increases in cash and equivalents of ¥188 million, notes and accounts receivables of ¥179 million and provisional accounts for software for main operational systems of ¥37 million.

Liabilities rose by ¥152 million from the end of the previous term to ¥1.289 billion. Among the main factors influencing this change were a ¥64 million decline in unpaid expenses, which was offset by increases of ¥96 million in unpaid corporate taxes, ¥51 million in unpaid consumption taxes, ¥45 million in unpaid expenses, and ¥18 million in notes and accounts payable.

Furthermore, net assets rose by ¥198 million from the end of the previous term to ¥2.121 billion. Retained earnings, stock options, and minority interests rose by ¥172, ¥13, and ¥12 million.

### ② Cash Flow Conditions

During the current term under review, cash and equivalents rose by ¥188 million or 18.4% year-over-year to ¥1.212 billion. We explain details of various factors affecting our cash flow during the current term below.

#### (Operating Cash Flow)

Operating cash flow saw a net inflow of ¥338 million (Up 161.1% year-over-year). The main factors influencing operating cash flow included a ¥179 million increase in receivables, net income before taxes of ¥374 million, a ¥51 million increase in unpaid consumption taxes, and a ¥45 million rise in unpaid expenses.

#### (Investing Cash Flow)

A net outflow of ¥106 million (Up 211.7% year-over-year) was seen in investing cash flow. The main factors influencing investing cash flow included ¥22 million in income from liquidation of marketable

securities, and outflows of ¥50 million from the acquisition of shares in a company that was included as a subsidiary, ¥41 million for the acquisition of other marketable securities, and ¥33 million for acquisition of intangible fixed assets.

(Financing Cash Flow)

In financing cash flow, the Company saw a net outflow of ¥44 million (3.6% year-over-year decline). One of the main factors behind this outflow was the ¥47 million payment of dividends.

(Reference) Trends in Cash Flow Indicators

	FY3/07	FY3/08	FY3/09	FY3/10	FY3/11
Equity Ratio (%)	54.3	55.2	56.2	59.0	57.9
Equity Ratio, Market Value Based (%)	165.4	94.9	37.8	42.5	41.7
Cash Flow to Interest Bearing Liabilities	1.2	—	—	—	—
Interest Coverage Ratio (x)	206.8	—	—	—	—

Equity Ratio: Shareholder's Equity / Total Assets

Equity Ratio, Market Value Based: Market Capitalization / Total Assets

Cash Flow to Interest Bearing Liabilities Ratio: Interest Bearing Liabilities/Cash Flow

Interest Coverage Ratio: Cash Flow / Interest Payments

1. Each indicator is based on consolidated financial data.
2. Market capitalization = Year-end market price x number of shares issued as of year-end after deducting treasury stock.
3. Cash flow is based on our operating cash flow.
4. Interest bearing liabilities includes all of the liabilities which bear interest payments on our consolidated balance sheet.

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

Estimated annual dividends for next fiscal year are ¥400 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 9, 2011).

#### 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 53.9 % 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 2009	FY 2010	FY 2011
Mobile	51.0	52.8	53.9
Non-mobile	49.0	47.2	46.1

#### ③Increased sales component percentages to a particular client

The Group's sales to KDDI Corporation during the current consolidated fiscal year accounted for 18.1 % 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.

(Units: ¥1,000)

	FY 2009			FY 2010			FY 2011		
	Sales	Sales component percentages (%)	Composition ratio (%)	Sales	Sales component percentages (%)	Composition ratio (%)	Sales	Sales component percentages (%)	Composition ratio (%)
Consolidated	13,060,113	100.0		11,811,575	100.0		12,489,980	100.0	
K D D I	3,048,295	23.3	(100.0)	2,731,653	23.1	(100.0)	2,255,890	18.1	(100.0)
( M o b i l e )	2,909,479	22.3	(95.4)	2,515,535	21.3	(92.1)	2,067,577	16.6	(91.7)
( D i g i t a l )	138,815	1.1	(4.6)	216,118	1.8	(7.9)	188,312	1.5	(8.3)
( K a n t o R e g i o n )	1,595,574	12.2	(52.3)	1,575,600	13.3	(57.7)	1,301,795	10.4	(57.7)
( N a t i o n a l )	1,452,720	11.1	(47.7)	1,156,053	9.8	(42.3)	954,094	7.6	(42.3)

Note: Net sales for the fiscal year ended March 31, 2010 are the total of sales to KDDI Corporation and KDDI Evolva Inc., due to the transfer of business from KDDI to KDDI Evolva, with the exception of a few transactions.

#### ④ Social 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.

Particularly in the case of the Worker Dispatch Law, an amendment is being considered. The Group is closely following this move, since the amendment may impair the business activities and impact the performance of the Group depending on the details, such as the prohibition in principle of registration-based temp staffing.

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. Corporate Structure

The BACKS GROUP is comprised of the parent company, four consolidated subsidiaries, and one equity accounting method held company. We explain the businesses of our Company and its various group companies and the various segments we serve below.

Our Group provides marketing support services and sales promotion services on an outsourced (consigned) basis, personnel dispatch, market research, and retail client POS data analysis (ASP service) to BtoC (Business to Consumer) companies primarily in the digital consumer electronics, cellular telephone services, consumer products retail, and financial services industries. At the same time we provide information based consulting and marketing and store front sales support training and consulting, financial institution support services, and support services to various Government offices.

By product area, we boast of particular strengths in the sales of “highly sophisticated, multi function consumer products” such as cellular telephones, PCs, and printers, “experience type products” such as cosmetics and toiletry products, “contractual products” such as broad band ISP and financial services, and other “products which require detailed explanation to customers.”

Backs provides marketing support services on a outsourced basis to customers in the consumer electronics and general merchandising industries, and responds to customer needs by dispatching personnel.

Smart Communications, Inc. provides market research on distribution channels, sales promotion effectiveness validation, and store front sales know how and services as its main business.

JBtoB CO., LTD. provides consulting based on various information including customer POS data analysis services (ASP service) to various retail and manufacturing companies.

Backs China, Inc. provides education and training, and consulting for store front sales support to BtoC companies.

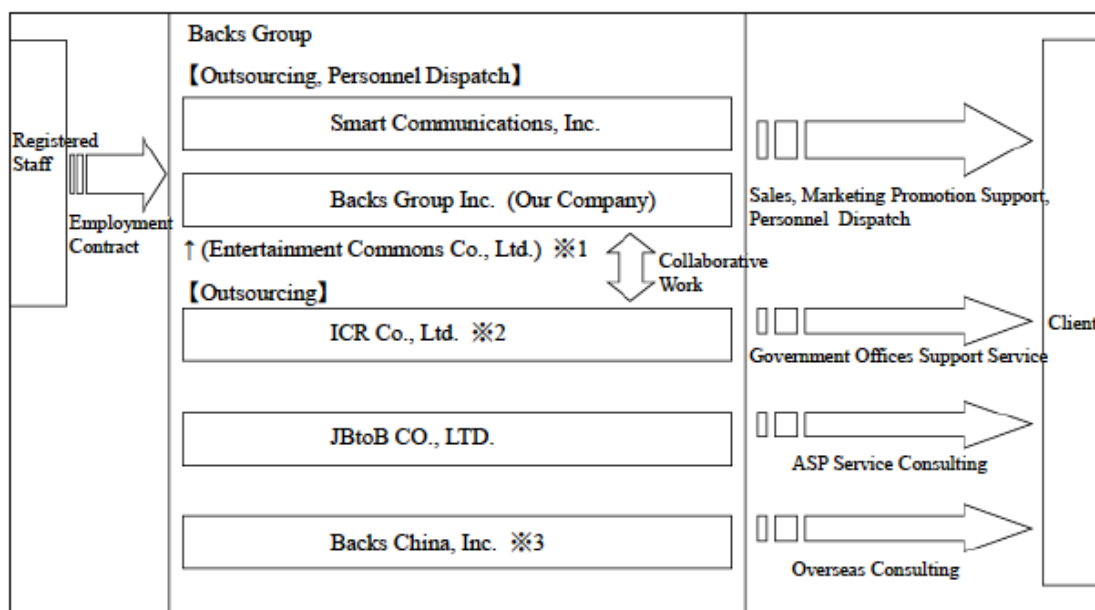
ICR, Co., Ltd. provides local research for credit card companies, door-to-door marketing support services targeting financial institutions and public offices as part of the telephone and door-to-door operations of the Welfare Pension Compliance Promotion Division of the Social Insurance Agency.

Entertainment Commons Co., Ltd. used to provide personnel dispatch services specializing in the entertainment industry, but the business was transferred to our company on November 19, 2010 and resolved dissolution through liquidation proceedings on March 9, 2011.

(Affiliated Company Conditions)

Name	Address	Capitalization (¥1,000)	Main Business	Percent Ownership	Details of Relationship
<b>Consolidated Subsidiaries</b>					
Entertainment Commons Co., Ltd.	Shibuya, Tokyo	10,000	Personnel dispatch Outsourcing	100.00	Management guidance, Consigned administrative work, 3 Concurrent directors, Working capital provided through loans
Smart Communications, Inc.	Shibuya, Tokyo	95,000	Outsourcing Personnel dispatch	100.00	Management guidance, Consigned administrative work, 3 Concurrent directors
JBtoB, CO., LTD.	Chuo, Tokyo	372,500	Outsourcing	69.55	3 Concurrent directors
Backs China, Inc.	Beijing, China	34,900	Outsourcing	85.96	2 Concurrent directors
<b>(Equity Method Affiliate)</b>					
ICR Co., Ltd.	Higashi, Aichi	100,000	Outsourcing	20.00	—

Diagram of Our Businesses



(Note)

\*1 A portion of the business in Entertainment Commons Co., Ltd. were transferred on November 9, 2010, and the company was resolved dissolution through liquidation proceedings on March 9, 2011.

\*2 20% of the shares of ICR Co., Ltd. were acquired on April 9, 2010 and it became an equity accounting method held affiliate.

\*3 Backs China, Inc. was established as a consolidated subsidiary on June 2010.

### 3. Management Policy

#### (1) Our Basic Management Policy

The Backs Group maintains a management philosophy of “growing together with our customers and employees, while contributing to society.” We act as a partner in sales support and sales promotion services by providing high value added services, and act responsibly to our clients, employees, staff, and all other stakeholders to maintain expansion in our corporate value.

Our Group calls the marketing, sales, client interface services category of work that we provide “orange collar,” which we consider to be a separate category from white collar office work and blue collar manual labor work categories. By operating a sales and marketing organization we provide a unique business model that supports the sales and marketing efforts of companies. In addition, we leverage the experiences gained from our activities supporting sales and marketing in store fronts to provide mass retailers, general merchandizing stores, other retailers, and restaurants with highly skilled sales and client interface staff as part of our services as a “comprehensive orange collar service provider.”

#### (2) Target Management Benchmarks

Our Group places a high priority on increasing shareholder returns. And in the interest of increasing comprehensive corporate value by increasing both earnings and capital efficiency, we have established a return on equity target for our consolidated accounts of over 20% as an important management benchmark.

#### (3) Midterm Corporate Business Strategy

The Backs Group maintains a management philosophy of “growing together with our customers and our employees, while contributing to society” and maintain a basic strategy of “becoming a partner in our customers’ sales and marketing operations” as a comprehensive “orange collar” human resources business solutions provider.

In accordance with this strategy:

- (1) Respond to various demand for sales promotion and operation management for BtoC companies and various sales channels
- (2) Optimize our business portfolio by expanding our customer base
- (3) Provide various types of employment opportunities to a wide ranging age group of job seeking workers

Our midterm strategy is to pursue the above three strategies to expand our business in order to become a “comprehensive orange collar service provider” and the “number one company in marketing support solutions.”

#### (4) Key Management Issues

The Great Eastern Japan Earthquake has cast considerable doubt over the future of the Japanese economy. In addition to its impact upon increasing the stagnation in consumer spending and worsening of the employment situation, the destruction of stores in the Pacific coast regions of the Tohoku area by the subsequent tsunami, potential reduced operating hours or total closure of retail stores due to rolling power outages in the Tokyo and surrounding regions, and overall restraint in store front sales promotion in light of the disaster could negatively impact demand, which in turn would contribute to an increase in the severity of the environment in which we operate.

Against this backdrop, our Company seeks to achieve stability and diversify risks by maintaining a well balanced portfolio of businesses and distribution of sales by client categories. At the same time we endeavor to cultivate new client categories in addition to clients within the mobile telecommunications, digital consumer electronics, and financial services industries that we already serve, and to develop new products and services. Furthermore, we are

promoting the development of new businesses, including door-to-door premium collections function of national pension payments for the Japan Pension Service, and fortify our service lineup as part of our efforts to expand the realm of our businesses.

In response to the possible revisions in the Worker Dispatching Act, we are endeavoring to raise the profitability of our existing businesses by promoting a shift its focus from personnel dispatch to outsourcing and to leverage our nationwide network of facilities to capture consigned type lump-sum project orders on an area wide basis. We seek to raise customer satisfaction and increase repeat order business by promoting this shift to an outsourcing business model. We will also implement educational training programs to raise the skill levels of our employees and staff, and create an internal system to increase the efficiency of our operations.

At the same time we will revise our staff recruiting specific website “Digit-Beit” (<http://digibeit.com/>) and review our usage of various staffing media as part of our efforts to fortify our personnel supply capabilities.

Furthermore, accompanying the expansion in our business we will implement educational training for our employees and staff in the area of compliance to repond to various laws and regulations, enlightening the materiality. At the same time we will also create a management structure that is adequate to ensure that we are able to strict compliance of various laws and regulations.

## 4. Consolidated Financial Statements

**(1) Consolidated Balance Sheets**

(Units: ¥1,000)

	Previous Term FY3/10 (March 31, 2010)	Current Term FY3/11 (March 31, 2011)
<b>Assets</b>		
Current assets		
Cash and equivalents	1,023,386	1,212,074
Notes, accounts receivable	1,434,892	1,614,076
Uncollected tax refunds	11,934	80
Deferred tax assets	72,197	70,262
Others	50,495	45,976
Allowance for doubtful accounts	△4,646	△2,455
<b>Total current assets</b>	<b>2,588,260</b>	<b>2,940,015</b>
Fixed assets		
Tangible fixed assets		
Buildings, structures	93,658	86,249
Depreciation, aggregated	△65,014	△62,116
Buildings, structures (net)	28,644	24,132
Equipment, facilities	107,276	91,711
Depreciation, aggregated	△84,743	△75,209
Equipment, facilities (net)	22,532	16,502
Lease assets	8,640	—
Depreciation, aggregated	△1,885	—
Lease assets (net)	6,755	—
<b>Total tangible fixed assets</b>	<b>57,932</b>	<b>40,635</b>
Intangible fixed assets		
Goodwill	106,680	83,736
Software	25,842	13,661
Software, provisional accounts	—	37,720
Others	1,745	856
<b>Total intangible fixed assets</b>	<b>134,267</b>	<b>135,973</b>
Investments, other assets		
Marketable securities	38,452	81,004
Desposits, security deposits	186,835	160,325
Deferred tax assets	49,931	47,323
Others	10,998	13,365
Allowance for doubtful accounts	△5,965	△7,269
<b>Total investments, other assets</b>	<b>280,251</b>	<b>294,749</b>
<b>Total fixed assets</b>	<b>472,451</b>	<b>471,359</b>
<b>Total assets</b>	<b>3,060,712</b>	<b>3,411,374</b>

(Units: ¥1,000)

	Previous Term FY3/10 (March 31, 2010)	Current Term FY3/11 (March 31, 2011)
<b>Liabilities</b>		
Current liabilities		
Notes, accounts payable	77,262	95,853
Unpaid expenses	152,675	88,168
Unpaid corporate tax	5,965	102,876
Unpaid consumption tax	51,324	103,262
Accrued expenses	667,064	713,038
Bonus reserves	66,068	71,623
Others	112,667	115,082
Total current liabilities	1,133,030	1,289,904
Fixed liabilities		
Lease liabilities	4,870	—
Total fixed liabilities	4,870	—
Total liabilities	1,137,900	1,289,904
<b>Net Assets</b>		
Shareholders' equity		
Capital	406,970	406,970
Capital surplus	432,958	50,547
Retained earnings	1,343,792	1,516,399
Treasury stock	△382,410	—
Total shareholders' equity	1,801,310	1,973,917
Other comprehensive income, aggregated		
Other marketable security valuation difference	2,983	2,626
Forex adjustment accounts	—	△68
Total comprehensive income, aggregated	2,983	2,558
Stock options	28,228	42,182
Minority interests	90,290	102,810
Total net assets	1,922,812	2,121,469
Total liabilities and Net Assets	3,060,712	3,411,374

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

**(2) Consolidated Income Statement and Comprehensive Income Statement**

(Units: ¥1,000)

	Previous Term FY3/10 (From April 1, 2009 to March 31, 2010)	Current Term FY3/11 (From April 1, 2010 to March 31, 2011)
Net sales	11,811,575	12,489,980
CGS	9,170,149	9,849,478
Gross income	2,641,426	2,640,501
SG&A	※1 2,346,705	※1 2,256,683
Operating income	294,721	383,818
Non-operating income		
Interest income	816	786
Commissions	176	168
Income from minority interests	—	4,204
Unpaid dividend reversals	1,085	1,720
Compensation payment	2,420	108
Other	231	755
Total non-operating income	4,730	7,744
Non-operating expense		
Interest payment	—	42
Commitment fee	1,199	1,199
Overseas subsidiary establishment fee	—	12,226
Other	9	383
Total non-operating expense	1,209	13,852
Ordinary income	298,242	377,710
Extraordinary income		
Profit on marketable security sale	—	20,218
Bonus reserves reversal	1,088	997
Profit on stock option reversal	736	—
Profit on consolidated subsidiary holding change	—	3,810
Allowance for doubtful accounts reversal	—	886
Total extraordinary income	1,824	25,912
Extraordinary loss		
Fixed asset liquidation loss	—	※2 2,716
Fixed asset retirement loss	※3 204	※3 1,429
Marketable securities valuation loss	6,741	—
Impairment loss	※4 1,750	—
Restoration expense	3,508	—
Office closure penalty fee	3,554	4,097
Cancellation penalty fee	5,794	723
Asset retirement obligation accounting standard implementation	—	20,164
Total extraordinary loss	21,554	29,132
Net income before taxes	278,512	374,489
Corporate, residence, enterprise taxes	90,587	140,507
Corporate tax adjustment	24,902	4,581
Total taxes	115,489	145,089
Net income before minority interests in income	—	229,400
Minority interests in income	4,009	11,442
Net income	159,014	217,957

(Units: ¥1,000)

	Previous Term FY3/10 (From April 1, 2009 to March 31, 2010)	Current Term FY3/11 (From April 1, 2010 to March 31, 2011)
Minority Interest	—	11,442
Net income before minority interests in income	—	229,400
<b>Other comprehensive income</b>		
Other marketable securities valuation difference	—	△356
Forex translation adjustment account	—	△79
Value of minority interest in affiliated companies	—	△1
<b>Total comprehensive income</b>	—	※ <sup>6</sup> △436
Comprehensive income	—	※ <sup>5</sup> 228,963
<b>(Details)</b>		
Comprehensive income of parent company shareholders	—	217,521
Comprehensive income of minority interests	—	11,442

**(3) Change in Consolidated Shareholders' Equity**

(Units: ¥1,000)

	Previous Term FY3/10 (From April 1, 2009 to March 31, 2010)	Current Term FY3/11 (From April 1, 2010 to March 31, 2011)
<b>Shareholders' equity</b>		
Capital		
At previous term end	406,970	406,970
Change during term		
Total change during term	—	—
At current term end	406,970	406,970
Capital surplus		
At previous term end	432,958	432,958
Change during term		
Treasury stock retirement	—	△382,410
Total change during term	—	△382,410
At current term end	432,958	50,547
Retained earnings		
At previous term end	1,227,609	1,343,792
Change during term		
Dividend from retained earnings	△42,831	△45,350
Net income	159,014	217,957
Total change during term	116,183	172,607
At current term end	1,343,792	1,516,399
Treasury stock		
At previous term end	△382,410	△382,410
Change during term		
Treasury stock retirement	—	382,410
Total change during term	—	382,410
At current term end	△382,410	—
Total shareholders' equity		
At previous term end	1,685,127	1,801,310
Change during term		
Dividends from retained earnings	△42,831	△45,350
Treasury stock retirement	—	—
Net income	159,014	217,957
Total change during term	116,183	172,607
At current term end	1,801,310	1,973,917

(Units: ¥1,000)

	Previous Term FY3/10 (From April 1, 2009 to March 31, 2010)	Current Term FY3/11 (From April 1, 2010 to March 31, 2011)
<b>Other comprehensive income, aggregated</b>		
Other marketable securities valuation difference		
At previous term end	561	2,983
Change during term		
Change in items other than shareholders' equity	2,422	△357
Total change during term	2,422	△357
At current term end	2,983	2,626
Forex translation adjustment account		
At previous term end	—	—
Change during term		
Change in items other than shareholders' equity	—	△68
Total change during term	—	△68
At current term end	—	△68
Total other comprehensive income, aggregated		
At previous term end	561	2,983
Change during term		
Change in items other than shareholders' equity	2,422	△425
Total change during term	2,422	△425
At current term end	2,983	2,558
Stock option		
At previous term end	12,073	28,228
Change during term		
Change in items other than shareholders' equity	16,154	13,954
Total change during term	16,154	13,954
At current term end	28,228	42,182
Minority interests		
At previous term end	—	90,290
Change during term		
Change in items other than shareholders' equity	90,290	12,520
Total change during term	90,290	12,520
At current term end	90,290	102,810
Total net assets		
At previous term end	1,697,762	1,922,812
Change during term		
Dividends from retained earnings	△42,831	△45,350
Net income	159,014	217,957
Treasury stock retirement	—	—
Change in items other than shareholders' equity	108,867	26,049
Total change during term	225,050	198,656
At current term end	1,922,812	2,121,469

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

(Units: ¥1,000)

	Previous Term FY3/10 (From April 1, 2009 to March 31, 2010)	Current Term FY3/11 (From April 1, 2010 to March 31, 2011)
<b>Cash flow from operating activities</b>		
Net income before taxes	278,512	374,489
Depreciation, amortization	38,157	28,540
Amortization of goodwill	7,464	22,944
Impact from implementation of asset retirement obligation accounting	—	20,164
Impairment loss	1,750	—
Change in allowance for doubtful accounts	1,418	△886
Change in bonus reserves	△9,418	5,554
Interest, dividends received	△816	△786
Interest paid	—	42
Income from change in consolidated subsidiaries holdings	—	△3,810
Fixed asset retirement loss	204	1,429
Income from fixed asset sale	—	2,716
Marketable securities valuation difference	6,741	—
Marketable securities sale	—	△20,218
Investment in equity accounting method	—	△4,204
Change in receivables	127,268	△179,184
Change in payables	16,578	18,590
Change in unpaid consumption tax	△96,757	51,937
Change in accrued expense	△59,100	45,968
Change in outstanding payment	19,142	△19,549
Others	15,542	26,892
Subtotal	346,687	370,631
Interest, dividends received	786	787
Interest payment	—	△42
Corporate, other tax payment	△217,657	△50,328
Corporate, other tax returns	—	17,912
Cash flow from operating activities	129,816	338,961
<b>Cash flow from investing activities</b>		
Acquisition of tangible fixed assets	△3,862	△7,064
Liquidation of tangible fixed assets	—	110
Acquisition of intangible fixed assets	△2,823	△33,393
Acquisition of marketable securities	△21,480	△41,025
Liquidation of marketable securities	—	22,500
Deposit, security deposit payment	△91	△3,407
Deposit, security deposit recovery	25,376	6,127
Deposits to time deposit account	△10,024	—
Redemption of time deposits	70,080	—
Acquisition of shares in subsidiaries accompanying change in scope of consolidation	※2 △91,236	※2 △50,000
Cash flow from investing activities	△34,061	△106,151

(Units: ¥1,000)

	Previous Term FY3/10 (From April 1, 2009 to March 31, 2010)	Current Term FY3/11 (From April 1, 2010 to March 31, 2011)
Cash flow from financing activities		
Short term debt	—	600,000
Repayment of short term debt	—	△600,000
Repayment of lease liabilities	△1,885	△1,256
Dividend payment	△43,995	△47,875
Income from financing undertaken by consolidated subsidiary minority shareholding	—	4,900
Cash flow from financing activities	△45,880	△44,231
Translation gains for cash and equivalents	—	110
Change in cash and equivalents	49,874	188,688
Cash and equivalents at term start	973,512	1,023,386
Cash and equivalents at term end	※1 1,023,386	※1 1,212,074

**(5) Assumptions Regarding Going Concern**

Not applicable

**(6) Business Segment Information**

## 1. Overview of Reported Business Segments

## (1) Determination Method of Reported Business Segments

Our reports business segments are those segments that are used by the board of directors to allocate business resources and evaluate earnings, and those for which financial information can be separately obtained and are regularly considered in the deployment of corporate strategy.

Our Company provides personnel dispatch and sales support and marketing promotion outsourcing services to the digital electronics manufacturers, cellular telephone service providers, consumer goods retailers, financial services, and BtoC companies belonging to other industries.

Therefore our business format can be basically divided into the “outsourcing business” and the “personnel dispatch business.”

## (2) Products and services belonging to our various reported business segments

The “outsourcing business” provides marketing support services to the sales channels of consumer product manufacturers operating within the intelligent home appliances industry. Furthermore as a part of the marketing support services, this segment provides market research as part of its sales support service to help secure sales of the highly sophisticated and multi-function products that require detailed explanation to potential purchasers. Also, analysis services of POS data relating to client information of retailers and various manufacturers and information based consulting services are provided within this segment.

The “personnel dispatch business” provides dispatched personnel who are trained with special skills required to sell products of the digital consumer electronics companies, various consumer product manufacturers, and apparel companies. Also in order to respond to needs of customers to hire highly skilled staff such as the dispatched personnel we provide, we also provide full time employee introduction services, where we introduce dispatched staff to be considered as full time employees by our customers.

## 2. Calculation Method for Business Segment Sales, Operating Income, Assets, and Other Information

Accounting procedures for reported business segments are the same as those used in the “basic and important items used to prepare consolidated financial statements.”

Reported business segments incomes are based on operating income basis. We base our calculations for the income and transfer derived internally between our business segments on current market prices.

Moreover, along with the adoption of management approach, the approach is based on partial revisions of the allocation method of company wide shared expenses and operating expenses for each of our reported business segments.

## 3. Reported Business Segment Sales, Operating Income, Assets, and Other Information

## I. Previous Fiscal Year March 2010 (From April 1, 2009 to March 31, 2010)

Previous consolidated period (April 1, 2009 – March 31, 2010)						(Units: ¥1,000)
	Outsourcing business	Personnel Dispatch Business	Total	adjustmen ts	Financial Statements	
I Sales and operating income						
Net Sales						
(1) Sales to external clients	4,373,800	7,437,775	11,811,575	–	11,811,575	
(2) Internal sales or transfers between segments	3,296	–	3,296	(3,296)	–	
Total	4,377,096	7,437,775	11,814,872	(3,296)	11,811,575	
Segment income	161,360	133,360	294,721	–	294,721	
Segment asset	1,569,585	1,328,153	2,897,738	(162,974)	3,060,712	
II Other Information						
Depreciation and amortization	20,452	17,704	38,157	–	38,157	
Capital expenditure	3,150	1,586	4,736	–	4,736	

Current consolidated period (April 1, 2010 –March 31, 2011)

(Units: ¥1,000)

	Outsourcing business	Personnel Dispatch Business	Total	adjustmen ts	Financial Statements
I Sales and operating income					
Net Sales					
(1) Sales to external clients	5,565,909	6,924,071	12,489,980	–	12,489,980
(2) Internal sales or transfers between segments	–	109,788	109,788	(109,788)	–
Total	5,565,909	7,033,860	12,599,769	(109,788)	12,489,980
Segment income	230,804	153,014	383,818	–	383,818
Segment asset	2,008,092	1,204,690	3,212,783	198,590	3,411,374
II Other Information					
Depreciation and amortization	17,723	10,817	28,540	–	28,540
Capital expenditure	26,795	18,703	45,499	–	45,499

Note: 1. Segment asset adjustments are assets that can not be allocated to any specific reported business segments, and are mainly comprised of deferred tax assets and other long term investments (Marketable securities).

2. Segment income is the same as operating income reported in our consolidated income statements.

(Additional Information)

During the current fiscal year, the “accounting standards for the display of segment information” (Corporate Accounting Standard Number 17, March 27, 2009) and “implementation guidance for accounting standards for the display of segment information” (Corporate Accounting Standard Implementation Guidance Number 20, March 21, 2008) are applied.