


JASDAQ

July 28, 2009

Summary of Consolidated Earnings Report

for the First Quarter of the Fiscal Year Ending March 31, 2010

Company Name: Backs Group Inc. (URL: <http://www.backs.co.jp/>)
Code Number: 4306
Stock Listings: JASDAQ
Head Office: 1-19-19 Ebisu, Shibuya-ku, Tokyo
Representative: Tsutomu Okada (President)
Inquiries: Atsuhiko Sunanaga, Managing Director
Tel: 03-5793-7836
Use of U.S. accounting standards: None

1. Consolidated Results for the First quarter of the FY2010 (April 1, 2009 - June 30, 2009)

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

	Net Sales		Operating Income		Ordinary Income		Net Income	
		%		%		%		%
FY2010 1Q	3,021	-4.8	72	-19.7	72	-19.1	35	-26.3
FY2009 1Q	3,174	-	90	-	89	-	48	-

	Net Income per share (yen)	Net Income per share (Diluted) (yen)
FY2010 1Q	284.30	284.18
FY2009 1Q	362.76	362.16

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

	Total Assets	Shareholders' Equity	Equity Ratio	Shareholders' equity per share
			%	(Yen)
FY2010 1Q	2,869	1,694	58.5	13,331.58
FY2009	2,998	1,697	56.2	13,376.79

Reference: Equity capital FY2010 1Q 1,679 million FY2009 1,685 million

2. Dividends

(Record Date)	Dividend per share				
	1Q	2Q	3Q	4Q	Full year
	yen	yen	yen	yen	yen
FY2009	—	0.00	—	340.00	340.00
FY2010	—	—	—	—	—
FY2010 (forecasts)	—	0.00	—	520.00	520.00

References Revision of dividend forecast in this term: None

3. 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)

	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): None
- (2) Adoption of simplified accounting method or accounting methods specific to quarterly consolidated financial statements: None
- (3) 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: None
- (4) Number of Share outstanding (Common stock)
 - ① Number of Shares outstanding at the end of fiscal year (Included treasury stock)

FY2010 1Q	148,515 shares	FY2009	148,515shares
-----------	----------------	--------	---------------
 - ② Number of shares outstanding at the end of the fiscal year

FY2010 1Q	22,541 shares	FY2009	22,541shares
-----------	---------------	--------	--------------
 - ③ Average number of shares during the period (For the current consolidated first quarter)

FY2010 1Q	148,515shares	FY2009 1Q	148,515shares
-----------	---------------	-----------	---------------

※ 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.

【Qualitative Information and Financial Statements】

1. Qualitative Information on Consolidated Business Results

(1) Analysis of Operating Results

During the period under review, the Japanese economy witnessed a significant deterioration of corporate earnings, due to the global financial crisis that occurred during the previous consolidated period, and the economic situation remains difficult. While there are indications that the move to reduce production may be coming to a halt, the future remains unstable as the employment situation continues to spiral down rapidly, with an increase in the unemployment rate accompanied by a decrease in the active job opening to applicant ratio.

The mobile telecommunications industry, the principal market in which the Backs Group operates, achieved robust growth from 88.0% to 94.4% in the percentage of subscriptions for third-generation (3G) handsets. The number of mobile phone subscriptions was 108,480,000*1 as of the end of June 2009, 4.7% more than in the corresponding period of the previous fiscal year, indicating that the use of mobile phone terminals as information communication and terminals is spreading. On the other hand, the number of units sold has been decreasing, with the replacement demand for new mobile phone terminals remaining slow following the introduction of installment sales schemes. In this environment, 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 by mobile phone carriers.

With regard to the digital consumer electronics industry, as the growth of the number of broadband subscribers stalled with 33,870,000 internet connection services contracts*2 as of the end of March 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. While the market size is continuing to expand, owing to the expansion of the use of credit cards to include the settlement of daily, medical and other expenses, the trend to cut back on sales promotion activities is continuing among some credit card companies in anticipation of the tightening of restrictions resulting from the impending full-scale implementation of the new money lending regulations.

Under these circumstances, the Group made efforts during the current consolidated quarter to reduce fixed costs through the consolidation and abolition of business sites in adjacent areas as the hiring environment improved.

Net sales for the first quarter fell short of the corresponding period of the previous year, despite the healthy performance of the sales channel and the temporary staffing business targeted at the music industry, as a result of the trend in the mobile telecommunications and the digital consumer electronics segments to cut back on sales promotion campaigns, including those accompanying the release of new products.

In terms of profits, gross profit decreased 1.8 points year on year, due to a decline in sales under highly profitable large-scale contracts in the digital consumer electronics segment. Meanwhile, selling, general and administrative expenses decreases 1.4 points year on year, owing to the effects of efforts made during the previous period to improve business efficiency by consolidating and abolishing subsidiaries and business sites.

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 March 2009)" (latest data June 19, 2009).

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

< Results by Major Segment >

(1) By business segment

(a) Outsourcing

In the outsourcing operations, as a result of a decrease in sales promotion campaigns in the mobile telecommunications and the digital consumer electronics segments, in addition to the switch in the type of employment in the mobile telecommunications segment from outsourcing contracts to temporary staffing contracts, the first quarter net sales were 1,051 million yen (26.1% decrease year on year) and operating income was 49 million yen (35.6% decrease year on year).

(b) Temporary staffing

In the 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 first quarter net sales reached 1,970 million yen (12.5% increase year on year) and operating income reached 90 million yen (30.1% increase year on year).

(2) By region

(a) Kanto region*1

In spite of healthy sales in the entertainment segment and the new business segment, including temporary staffing for distribution channels, a decrease in campaign-related demands in the digital consumer electronics and the financial services segments resulted in first quarter net sales of 1,887 million yen (3.7% decrease year on year).

(b) National*2

Nationally, despite new order secured from mobile phone sales agents in the mobile telecommunications segment, decreases in large-scale projects in the digital consumer electronics segment and orders in the financial services segment, due to deterioration in the economic climate such as the slowing down of regional economies, resulted in first quarter net sales of 1,133 million yen (6.5% decrease year on year).

(3) By customer industry

(a) Mobile telecommunications*3

Sales in the mobile telecommunications segment in the first quarter was 1,617 million yen (1.9% 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, in spite of an increase in orders from existing clients, a decrease in orders under some large-scale contracts resulted in first quarter net sales of 835 million yen (8.3% decrease year on year).

(c) Financial services*5

Sales in the financial services segment for the first quarter were 97 million yen (44.7% decrease year on year) due to a contraction of nationwide campaign involving credit-card promotion operations, despite continuing efforts since the previous period to secure orders from existing blue-chip customers.

(d) New Sectors*6

Sales in the new business segment for the first quarter amounted to 471 million yen (7.6% increase year on year), owing to the successful growth of the temporary staffing business targeted at the music industry.

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.

2. Quantitative Information on Consolidated Financial Conditions

① Assets, liabilities, and capital

Assets as of the end of the first quarter decreased by ¥129 million from the previous year to ¥2,869 million. This is due mainly to the ¥217 million decrease in notes and accounts receivable, despite the ¥69 million increase in cash and deposits.

Liabilities decreased by ¥125 million from the previous year to ¥1,175 million. This is due primarily to the ¥89 million decrease in accrued income taxes and ¥26 million decrease in accrued consumption taxes.

Net assets decreased by ¥3 million from the previous year to ¥1,694 million.

The equity ratio improved by 2.3 points from the previous year to 58.5%.

② Statement of Cash Flows

The balance of cash and cash equivalents (hereinafter "cash") on a consolidated basis as of the end of the first quarter increased by ¥69 million from the previous year to ¥1,042 million (7.1% increase from the end of the previous fiscal year).

(Cash flow in operating activities)

Cash used in operating activities during the current first quarter was ¥111 million. The main reason is the ¥217 million decrease in accounts receivable, in spite of the ¥117 million in income taxes paid.

(Cash flow in investing activities)

Cash used in investing activities during the current first quarter was ¥13 million. This is due mainly to an expenditure of ¥9 million in acquisition of investment securities.

(Cash flow in financing activities)

Cash used in financing activities during the current interim was ¥28 million. This was due mainly to the payment of 28 million yen as dividend payment.

3. Quantitative Information on Consolidated Results Forecast

As regards performance forecast, there is no change as of this moment in the consolidated forecast announced in the “Summary of Consolidated Earnings Report for the Fiscal Year Ending March 31, 2009” dated May 11, 2009.

※The forecasts are based on information available as of the date the forecasts were announced and involve potential risks, as well as unknown factors. Hence, actual results may differ from the forecast values, depending on future changes in a variety of factors.

4. Others

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

None

(2) Adoption of simplified accounting method or accounting methods specific to quarterly consolidated financial statements

None

(3) Changes in accounting principles, procedures, presentation methods, relating to the preparation of quarterly consolidated financial statements

None

5. Consolidated Balance sheet and Income statement

(1) Consolidated for the First Quarter Balance Sheets

(Unit : Thousands of yen)

Item	FY2010 (June 30, 2009)	FY2009 (March 31, 2009)
	Amount	Amount
Assets		
I Current Assets		
1. Cash and cash equivalents	1,042,559	973,512
2. Notes and accounts receivable	1,325,789	1,543,228
3. Deferred tax assets	56,371	59,342
4. Others	90,405	53,884
Allowance for doubtful accounts	-4,822	-5,428
Total currents assets	2,510,303	2,624,538
II Fixed Assets		
1. Property and equipment		
(1) Buildings and structures (net)	33,674	35,382
(2) Tools, furnitures and fixtures (net)	22,589	24,154
(3) Lease assets(net)	8,169	-
Total fixed assets	64,433	59,536
2. Intangible fixed assets		
(1) Software	39,009	43,105
(2) Others	12,066	14,253
Total intangible fixed assets	51,075	57,359
3. Investments and other assets		
(1) Investments in securities	31,817	21,204
(2) Deposits and guarantees	186,696	210,297
(3) Deferred tax assets	25,052	25,758
(4) Others	4,155	3,530
Allowance for doubtful accounts	-4,155	-3,530
Total investments and other assets	243,566	257,260
Total fixed assets	359,075	374,156
Total Assets	2,869,379	2,998,695

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

(Unit : Thousands of yen)

Item	FY2008 (March 31, 2008)	FY2009 (March 31, 2009)
	Amount	
LIABILITIES		
I Current Liabilities		
1. Notes and accounts payable	54,302	60,684
2. Trade liabilities	71,955	76,319
3. Income taxes payable	27,209	117,179
4. Consumption tax payable	119,687	146,426
5. Accrued expenses	733,180	725,467
6. Allowance for bonus payable	40,292	73,076
7. Others	121,644	101,779
Total current liabilities	1,168,908	1,300,933
II Fixed Liabilities		
1. Lease obligation	6,284	-
Total fixed liabilities	6,284	-
Total Liabilities	1,175,192	1,300,933
SHAREHOLDERS' EQUITY		
I Shareholder's equity		
1. Capitalization	406,970	406,970
2. Capital surplus	432,958	432,958
3. Retained earnings	1,220,592	1,227,609
4. Treasury stock	-382,410	-382,410
Total Shareholders' Equity	1,678,110	1,685,127
II Valuation and translation adjustments		
1. Net unrealized gain/loss on other securities	1,321	561
Total valuation And translation adjustments	1,321	561
III Stock acquisition rights	14,753	12,073
Total net assets	1,694,186	1,697,762
Total Liabilities And Net Assets	2,869,379	2,998,695

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

(2) Consolidated Income Statements

(Unit : Thousands of yen)

Item	FY2009 1Q (April 1, 2008 – June 30, 2008)	FY2010 1Q (April 1, 2009 - June 30, 2009)
	Amount	
I Net sales	3,174,166	3,021,734
II Cost of sales	2,386,872	2,327,722
Gross profit on sales	787,294	694,012
III selling, general and administrative expenses	697,195	621,627
Operating Income	90,098	72,385
IV Non-operating revenues		
1. Interest received	-	68
2. Dividends received	150	-
3. Commissions receivable	29	46
4. Indemnity receivable	-	39
5. Others	38	2
Total non-operating revenues	218	157
V Non-operating income		
1. Commitment fee	1,047	299
2. Others	2	-
Total non-operating income	1,049	299
Ordinary income	89,267	72,244
VI Extraordinary gains		
1. Reversal of reserve for bonuses	2,062	1,138
Total extraordinary gains	2,062	1,138
VII Extraordinary Loss		
1. Loss on retirement of fixed assets	-	7
2. Impairment loss	-	1,610
3. Expenses for restoration to original state	-	2,442
4. Penalty charges for terminating office lease contract	-	2,115
5. Cancellation penalties	-	4,337
Total extraordinary loss	-	10,513
Net income before taxes	91,329	62,868
Corporate tax, resident tax and business tax	22,054	23,453
Income taxes adjustments	20,674	3,618
Total corporate tax	42,728	27,054
Net income	48,600	35,814

(3) Consolidated Statement of Cash Flows

(Unit: Thousands yen of yen)

	FY2009 1Q (April 1, 2008 – June 30, 2008)	FY2010 1Q (April 1, 2009 - June 30, 2009)
	Amount	
I Cash flow operating activities		
Income before income taxes and minority interests	91,329	62,868
Depreciation and amortization	12,747	10,744
Impairment loss	-	1,610
Changes in provision for doubtful accounts	97	18
Changes in provision for bonuses	-24,755	-32,146
Interest and dividend income	-150	-68
Loss on retirement of fixed assets	-	7
Change in accounts receivable	148,156	217,439
Change in accounts payable	-14,223	-6,381
Change in consumption tax payable	-5,707	-26,739
Changes in accrued expenses	-69,495	7,712
Change in trade liabilities	-28,873	-2,450
Others	1,077	-4,279
Subtotal	110,202	228,333
Interest and dividends received	150	0
Income taxes paid	-142,642	-117,164
Net cash from operating activities	-32,289	111,169
II Net cash from operating		
Payments for purchases of property and equipment	-2,322	-2,026
Payments for purchases of intangible fixed assets	-7,808	-2,221
Purchases of investment securities	-	-9,794
Proceeds from cancel of the deposits and guarantees	-14,080	-81
Proceeds from withdrawal of time deposits	-	681
Net cash from investing activities	-24,211	-13,440
III Cash flow from financing activities		
payments of investment securities	-	-471
Payments for dividends	-28,673	-28,210
Cash flow from Financing Activities	-28,673	-28,681
IV Change in cash and cash equivalents	-85,174	69,047
V Cash and cash equivalents at the beginning of the period	828,350	973,512
VI Cash and Cash equivalents, end of Fiscal year	743,175	1,042,559

(4) Notes on the premises of a going concern

None

(5) Segment Information

〔Industry segments〕

FY2009 1Q Previous consolidated period (April 1, 2008 – June 30, 2008)

(Unit: Thousands yen of yen)

	Outsourcing business	Temporary Staffing	Total	Eliminations and corporate	Consolidated
Net Sales	1,427,509	1,752,207	3,179,717	△5,551	3,174,166
Operating expenses	1,350,619	1,682,937	3,033,556	50,510	3,084,067
Operating Income	76,890	69,270	146,160	△56,061	90,098

FY2010 1Q Current consolidated period (April 1, 2009 – June 30, 2009)

(Unit: Thousands yen of yen)

	Outsourcing business	Temporary Staffing	Total	Eliminations and corporate	Consolidated
Net Sales	1,051,978	1,970,669	3,022,648	△913	3,021,734
Operating expenses	1,002,490	1,880,578	2,883,068	66,280	2,949,349
Operating Income	49,488	90,091	139,580	△67,194	72,385

Geographical segments

This section has been abridged, as the Company has no overseas consolidated subsidiaries or important overseas offices.

6. Production, Orders and Sales

(1) Production

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

(2) Orders

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

(3) Sales

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

(Unit: Thousands yen of yen, %)

Business Segment	FY2009 1Q		FY2010 1Q	
	Amount	Share	Amount	Share
Outsourcing business	1,421,958	44.8	1,051,065	34.8
Temporary Staffing	1,752,207	55.2	1,970,669	65.2
Total	3,174,166	100.0	3,021,734	100.0

Note: Amounts do not include consumption tax.