



November 4, 2009

Summary of Consolidated Earnings Report

for the Second 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)
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Use of U.S. accounting standards: None

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

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

	Net Sales		Operating Income		Ordinary Income		Net Income	
		%		%		%		%
FY2010 2Q	5,989	-6.7	173	27.5	174	29.3	94	602.1
FY2009 2Q	6,421	-	135	-	135	-	13	-

	Net Income	Net Income per share
	Per share (yen)	(Diluted) (yen)
FY2010 2Q	750.74	750.41
FY2009 2Q	100.54	100.35

(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 2Q	2,856	1,757	60.8	13,797.85
FY2009	2,998	1,697	56.2	13,376.79

Reference: Equity capital FY2010 2Q 1,679 million FY2009 1,685 million

2. Dividends

(Record Date)	Dividend per share				
	1Q	2Q	3Q	4Q	Full year
FY2009	yen —	yen 0.00	yen —	yen 340.00	yen 340.00
FY2010	—	0.00	—	—	—
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)
Full term	12,700 % -2.8	496 % 10.7	492 % 10.0	276 % 55.4	(Yen) 7 2,190.93

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

FY2010 2Q	22,541 shares	FY2009	22,541 shares
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 - ③ Average number of shares during the period (For the current consolidated first quarter)

FY2010 2Q	148,515shares	FY2009 2Q	148,515shares
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※ 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 continued to face difficulties with a significant deterioration of corporate earnings, due to the global financial crisis, in spite of indications of recovery in export and production. The employment situation is also becoming increasingly severe, as active job opening to applicant ratio marked a new record low and unemployment rate hit an all-time high.

The mobile telecommunications industry, the principal market in which the Backs Group operates, achieved robust growth from 89.7% to 95.4% in the percentage of subscriptions for third-generation (3G) handsets. The number of mobile phone subscriptions was 109,630,000*1 as of the end of September 2009, 4.6% 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 began to slow with 34,170,000 internet connection services contracts*2 as of the end of June 2009, demand for fiber-optic communication services increased, while a decreasing trend in digital subscriber's line services continued.

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 focused its efforts during the current consolidated quarter on providing such new services as market research and handling undertaking new businesses in order to enable medium to long-term growth, while providing employment opportunities in a stable manner.

Net sales for the second quarter fell short of the corresponding period of the previous year, despite the healthy performance the temporary staffing business targeted at sales channels and the music industry, as a result of the trend in the mobile telecommunications and the digital consumer electronics segments to cut back on sales promotions campaigns, including those accompanying the release of new products, in addition to some temporary staffing clients switching to direct hires.

In terms of profits, gross profit decreased 1.0 points year on year, due to an increase in the percentage of total sales that the temporary staffing business accounts for and unit price revisions in the digital consumer electronics segment. Meanwhile, selling, general and administrative expenses decreased 1.8 points year on year, owing to the effects of efforts made during the previous period to improve business efficiency by merging subsidiaries and consolidating/abolishing business sites, as well as improved recruiting efficiency attributable to changes in the employment climate.

As a result of these efforts, consolidated net sales for the Second Quarter of the fiscal year 2010 were ¥5,989 million (decrease 6.7% from the previous fiscal year). Operating Income ¥173 million (up 27.5%), Ordinary

income was ¥174 million (up 29.3%), and net income was ¥94 million (up 302.1%).

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 June 2009)” (latest data September 18, 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, in spite of an increase in demand in the digital consumer electronics segment in the Kanto region, due to a decrease in sales promotion campaigns attributable to the deterioration of the economic situation, in addition to the switch in the type of employment contracts of our mobile telecommunications clients from outsourcing contracts to temporary staffing contracts, the second quarter net sales were 2,212 million yen (18.8% decrease year on year) and operating income was 117 million yen (8.7% 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 second quarter net sales reached 3,777 million yen (2.2% increase year on year) and operating income reached 188 million yen (44.5% increase year on year).

(2) By region

(a) Kanto region*1

In the Kanto region, 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 second quarter net sales of 3,703 million yen (5.7% decrease year on year)

(b) National*2

Nationally, despite new order secured from major 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 the deterioration in the economic climate such as the slowing down of regional economies, resulted in second quarter net sales of 2,286 million yen (8.3% decrease year on year).

(3) By customer industry

(a) Mobile telecommunications*3

Sales in the mobile telecommunications segment in the second quarter was 3,208 million yen (3.1% decrease year on year) as a result of, despite our continued success with the nationwide demand from telecommunication carriers and major 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 switch in the employment status of our temporary staff to direct hire, as well as the decrease in the number of mobile terminals sold by 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 second quarter net sales of 1,713 million yen (4.9% decrease year on year).

(c) Financial services*5

Sales in the financial services segment for the second quarter were 252 million yen (36.1% decrease year on year) due to a contraction of nationwide campaign involving credit-card promotion operations, despite continuing efforts since the pervious period to secure orders from existing blue-chip customers.

(d) New Sectors*6

Sales in the new business segment for the second quarter amounted to 815 million yen (10.9% decrease year on year) in spite of an increase in temporary staffing targeting at the music industry, due to a decline in campaign-related demand in the consumer goods and other industries.

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 second quarter decreased by ¥141 million from the previous year to ¥2,856 million. This is due mainly to the ¥181 million decrease in notes and accounts receivable, despite the ¥70 million increase in cash and deposits.

Liabilities decreased by ¥202 million from the previous year to ¥1,098 million. This is due primarily to the ¥94 million decrease in accrued expenses, ¥74 million decrease in accrued consumption taxes, and ¥52 million in accrued income taxes.

Net assets increased by ¥60 million from the previous year to ¥1,757 million.

The equity ratio improved by 4.6 points from the previous year to 60.8%.

② Statement of Cash Flows

The balance of cash and cash equivalents (hereinafter “cash”) on a consolidated basis as of the end of the second quarter increased by ¥70 million from the previous year to ¥1,043 million (7.2% increase from the end of the previous year).

(Cash flow in operating activities)

Cash gained in operating activities was ¥115 million (income of ¥116 million during corresponding period of

the previous year). This is due mainly to the ¥164 million increase in quarterly net income before income taxes, the ¥181 decrease in accounts receivable, ¥111 million in income taxes paid, and the ¥94 million decrease in accrued expenses.

(Cash flow in investing activities)

Cash used in investing activities was ¥0.6 million (expenditure of ¥26 million during corresponding period of the previous year). This is attributable primarily to the income of ¥23 million from the collection of lease and guarantee deposits, in spite of an expenditure of ¥20 million in acquisition of investment securities.

(Cash flow in financing activities)

Cash used in financing activities was ¥43 million (expenditure of ¥46 million during corresponding period of the previous year). This is due primarily to the payment of ¥42 million as dividend payment.

3. Quantitative Information on Consolidated Results Forecast

As was stated in the Notice of Revision of Consolidated Performance Forecast announced on October 9, 2009, the expected net sales for the fiscal year ending on March 31, 2010 was reduced by ¥1,300 million from the initial forecast to ¥12,700 million, due primarily to the failure of the subsidiary in the temporary staffing business targeted at the music industry to develop new clients, in addition to some client companies cutting back on promotional events as a result of low product sales and/or the switch in the employment status of our temporary staff to clients' direct hires.

Profit, on the other hand, remained higher than the initial forecast during the first half of the fiscal year as a result of efforts by all Group companies to reduce selling, general and administrative expenses, in spite of the decline in gross profit caused by an increase in the percentage of total sales that the temporary staffing business accounts for. While it is anticipated that all Group companies will continue to cut back costs during the second half, operating income, ordinary income and net income are expected to remain the same as the initial forecast, with the decrease in gross profit from the decrease in sales revenue exceeding the reduction in cost.

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	FY2009
	(September 30, 2009)	(March 31, 2009)
	Amount	Amount
Assets		
I Current Assets		
1. Cash and cash equivalents	1,043,998	973,512
2. Notes and accounts receivable	1,361,555	1,543,228
3. Deferred tax assets	44,965	59,342
4. Others	52,360	53,884
Allowance for doubtful accounts	-7,413	-5,428
Total currents assets	2,495,465	2,624,538
II Fixed Assets		
1. Property and equipment		
(1) Buildings and structures (net)	31,962	35,382
(2) Tools, furnitures and fixtures (net)	20,985	24,154
(3) Lease assets(net)	7,697	-
Total fixed assets	60,646	59,536
2. Intangible fixed assets		
(1) Software	33,552	43,105
(2) Others	11,380	14,253
Total intangible fixed assets	44,932	57,359
3. Investments and other assets		
(1) Investments in securities	41,944	21,204
(2) Deposits and guarantees	186,696	210,297
(3) Deferred tax assets	27,074	25,758
(4) Others	3,558	3,530
Allowance for doubtful accounts	-3,558	-3,530
Total investments and other assets	255,715	257,260
Total fixed assets	361,294	374,156
Total Assets	2,856,759	2,998,695

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

(Unit : Thousands of yen)

Item	FY2010	FY2009
	(September 30, 2009)	(March 31, 2009)
	Amount	
LIABILITIES		
I Current Liabilities		
1. Notes and accounts payable	65,020	60,684
2. Trade liabilities	85,623	76,319
3. Income taxes payable	64,484	117,179
4. Consumption tax payable	71,810	146,426
5. Accrued expenses	631,393	725,467
6. Allowance for bonus payable	71,791	73,076
7. Others	102,881	101,779
Total current liabilities	1,093,006	1,300,933
II Fixed Liabilities		
1. Lease obligation	5,812	-
Total fixed liabilities	5,812	-
Total Liabilities	1,098,818	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	1,279,352	1,227,609
4. Treasury stock	-382,410	-382,410
Total Shareholders' Equity	1,736,870	1,685,127
II Valuation and translation adjustments		
1. Net unrealized gain/loss on other securities	1,300	561
Total valuation And translation adjustments	1,300	561
III Stock acquisition rights	19,769	12,073
Total net assets	1,757,940	1,697,762
Total Liabilities And Net Assets	2,856,759	2,998,695

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

(2) Consolidated Income Statements

(April 1, 2009 - September 30, 2009)

(Unit : Thousands of yen)

Item	FY2009 2Q (April 1, 2008 –September 30, 2008)	FY2010 2Q (April 1, 2009 - September 30, 2009)
	Amount	
I Net sales	6,421,905	5,989,943
II Cost of sales	4,877,986	4,614,781
Gross profit on sales	1,543,918	1,375,162
III selling, general and administrative expenses	1,408,096	1,201,920
Operating Income	135,822	173,242
IV Non-operating revenues		
1. Interest received	494	286
2. Dividends received	151	–
3. Commissions receivable	100	92
4. Reversal of unpaid dividends	280	1,085
5. Interest on refund of income taxes	135	–
6. Indemnity receivable	–	739
7. Others	44	103
Total non-operating revenues	1,205	2,306
V Non-operating income		
1. Commitment fee	1,604	601
2. Others	86	–
Total non-operating income	1,690	601
Ordinary income	135,337	174,946
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 sale of fixed assets	199	–
2. Loss on retirement of fixed assets	238	117
3. Write-down of investment securities	42,470	–
4. Impairment loss	27,016	1,610
5. Expenses for restoration to original state	3,883	2,442
6. Penalty charges for terminating office lease contract	2,847	2,115
7. Cancellation penalties	–	4,909
Total extraordinary loss	76,655	11,194
Net income before taxes	60,744	164,889
Corporate tax, resident tax and business tax	71,043	57,255
Income taxes adjustments	–23,768	13,060

Total corporate tax	47,274	70,315
Net income	13,470	94,574

(July 1, 2009 - September 30, 2009)

(Unit : Thousands of yen)

Item	FY2009 2Q (July 1, 2008 –September 30, 2008)	FY2010 2Q (July 1, 2009 - September 30, 2009)
	Amount	
I Net sales	3,247,739	2,968,208
II Cost of sales	2,491,114	2,287,059
Gross profit on sales	756,624	681,149
III selling, general and administrative expenses	710,900	580,293
Operating Income	45,724	100,856
IV Non-operating revenues		
1. Interest received	494	217
2. Commissions receivable	70	45
3. Reversal of unpaid dividends	280	1,085
4. Interest on refund of income taxes	135	–
5. Indemnity receivable	–	700
6. Others	23	101
Total non-operating revenues	1,004	2,148
V Non-operating income		
1. Commitment fee	557	302
2. Others	101	–
Total non-operating income	658	302
Ordinary income	46,070	102,702
VI Extraordinary Loss		
1. Loss on sale of fixed assets	199	–
2. Loss on retirement of fixed assets	238	110
3. Write-down of investment securities	42,470	–
4. Impairment loss	27,016	–
5. Expenses for restoration to original state	3,883	–
6. Penalty charges for terminating office lease contract	2,847	–
7. Cancellation penalties	–	571
Total extraordinary loss	76,655	681
quarterly net income before income taxes or quarterly net loss before income taxes	–30,584	102,021
Corporate tax, resident tax and business tax	48,988	33,820
Income taxes adjustments	–44,442	9,441
Total corporate tax	4,545	43,261
Net income	–35,130	58,759

(3) Consolidated Statement of Cash Flows

(Unit: Thousands yen of yen)

	FY2009 2Q (April 1, 2008 – September 30, 2008)	FY2010 2Q (April 1, 2009 – September 30, 2009)
	Amount	
I Cash flow operating activities		
Net income before income taxes and minority interests	60,744	164,889
Depreciation and amortization	25,793	21,534
Impairment loss	27,016	1,610
Changes in provision for doubtful accounts	1,108	2,013
Changes in provision for bonuses	8,888	-1,284
Interest and dividend income	-645	-286
Loss on retirement of fixed assets	238	117
Loss on sale of fixed assets	199	-
Loss (gain) on valuation of investment securities	42,470	-
Change in accounts receivable	192,441	181,673
Change in accounts payable	-23,050	4,335
Change in consumption tax payable	-23,310	-74,616
Changes in accrued expenses	-59,004	-94,074
Change in trade liabilities	-5,176	10,304
Others	10,989	9,999
Subtotal	258,703	226,217
Interest and dividends received	645	128
Income taxes paid	-142,771	-111,325
Net cash from operating activities	116,576	115,020
II Net cash from operating		
Payments for purchases of property and equipment	-5,301	-2,061
Payments for purchases of intangible fixed assets	-9,583	-2,221
Purchases of investment securities	-	-20,000
Proceeds from cancel of the deposits and guarantees	-15,431	-91
Proceeds from withdrawal of time deposits	3,159	23,681
Net cash from investing activities	-26,797	-692
III Cash flow from financing activities		
payments of investment securities	-	-942
Payments for dividends	-46,552	-42,899
Cash flow from Financing Activities	-46,552	-43,842
IV Change in cash and cash equivalents	43,226	70,486
V Cash and cash equivalents at the beginning of the period	828,350	973,512
VI Cash and Cash equivalents, end of Fiscal year	871,576	1,043,998

(4) Notes on the premises of a going concern

None

(5) Segment Information

〔Industry segments〕

For the three months ended September 30, 2008 (July 1, 2008 to September 30, 2008)

(Unit: Thousands yen of yen)

	Outsourcing business	Temporary Staffing	Total	Eliminations and corporate	Consolidated
Net Sales	1,309,492	1,943,376	3,252,869	-5,130	3,247,739
Operating expenses	1,257,318	1,882,393	3,139,712	62,302	3,202,014
Operating Income	52,173	60,983	113,157	-67,433	45,724

For the three months ended September 30, 2009 (July 1, 2009 to September 30, 2009)

(Unit: Thousands yen of yen)

	Outsourcing business	Temporary Staffing	Total	Eliminations and corporate	Consolidated
Net Sales	1,162,445	1,806,754	2,969,199	-990	2,968,208
Operating expenses	1,094,069	1,708,688	2,802,758	64,594	2,867,352
Operating Income	68,375	98,066	166,441	-65,585	100,856

For the six months ended September 30, 2008 (April 1, 2008 to September 30, 2008)

(Unit: Thousands yen of yen)

	Outsourcing business	Temporary Staffing	Total	Eliminations and corporate	Consolidated
Net Sales	2,737,002	3,695,584	6,432,586	-10,681	6,421,905
Operating expenses	2,607,938	3,565,331	6,173,269	112,813	6,286,082
Operating Income	129,064	130,253	259,317	-123,494	135,822

For the six months ended September 30, 2009 (April 1, 2009 to September 30, 2009)

(Unit: Thousands yen of yen)

	Outsourcing business	Temporary Staffing	Total	Eliminations and corporate	Consolidated
Net Sales	2,214,424	3,777,424	5,991,848	-1,904	5,989,943
Operating expenses	2,096,560	3,589,266	5,685,826	130,874	5,816,701
Operating Income	117,863	188,157	306,021	-132,779	173,242

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 2Q		FY2010 2Q	
	Amount	Share	Amount	Share
Outsourcing business	2,726,320	42.5	2,212,519	36.9
Temporary Staffing	3,695,584	57.5	3,777,424	63.1
Total	6,421,905	100.0	5,989,943	100.0

Note: Amounts do not include consumption tax.