



May 10, 2010

Summary of Consolidated Earnings Report for 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
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Use of U.S. accounting standards: None

1. Consolidated Results for the FY2010 (April 1, 2009 – March 31, 2010)

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

	Net Sales		Operating Income		Ordinary Income		Net Income	
		%		%		%		%
FY2010	11,811	-9.6	294	-34.2	298	-33.3	159	10.5
FY2009	13,060	10.9	448	10.8	447	11.4	177	15.7

	Net Income per share (yen)	Net Income per share (Diluted) (yen)	ROE (%)	Ratio of ordinary income to total capital (%)	Ratio of operating income to sales (%)
FY2010	1,262.28	1,261.77	9.1	9.8	2.5
FY2009	1,340.40	1,339.61	10.6	14.9	3.4

(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
FY2010	3,060	1,922	59.0	14,322.75
FY2009	2,998	1,697	56.2	13,376.79

Reference: Equity capital FY2010 1,804 million FY2009 1,685 million

2. Dividends

(Record Date)	Dividend per share				
	1Q	2Q	3Q	4Q	Full year
FY2009	— yen	0.00 yen	— yen	340.00 yen	340.00 yen
FY2010	—	0.00	—	360.00	360.00
FY2011 (forecasts)	—	0.00	—	265.00	265.00

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	5,741	-4.2	41	-76.3	41	-76.6	9	-90.5	71.44
Full term	11,911	0.8	261	-11.4	261	-12.5	132	-17.0	1,047.84

4. Others

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

The Group acquired 69.55% of shares of JBtoB Co.Ltd. as of December 29, 2009.

(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: None

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)

FY2010 148,515 shares FY2009 148,515 shares

② Number of shares outstanding at the end of the fiscal year

FY2010 22,541 shares FY2009 22,541 shares

(Reference) Summary of non-consolidated results

1. Non-consolidated Results of Operations for the FY2010 (April 1, 2009 - March 31, 2010)

(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	
		%		%		%		%
FY2010	11,084	-5.1	264	-44.9	270	-43.6	138	-75.8
FY2009	11,683	19.7	479	24.0	480	25.1	571	162.8

	Net Income per share (yen)	Net Income per share (Diluted) (yen)
FY2010	1,097.56	1,097.11
FY2009	4,316.43	4,313.89

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

	Total Assets	Shareholders' Equity	Equity Ratio (%)	Shareholders' Equity per Share (yen)
	FY2010	2,950	1,907	63.7
FY2009	3,011	1,796	59.2	14,161.82

(Reference) Equity capital FY2010 ¥1,880 million FY2009 ¥1,784 million

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

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

(Millions of yen, rounded down; %)

	Net Sales		Operating Income		Ordinary Income		Net Income		Shareholders' Equity per Share (yen)
		%		%		%		%	(yen)
Interim	5,260	-6.9	42	-74.7	44	-74.0	25	-72.0	198.45
Full term	10,906	-1.6	223	-15.6	227	-16.2	129	-6.7	1,024.02

※ 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 consolidated fiscal year under review, the Japanese economy showed some indications of recovery from the economic recession caused by the global financial crisis that occurred during the previous consolidated fiscal year, with domestic production also picking up in some segments, driven by healthy demand in developing countries, mainly in Asia. However, the future outlook remains uncertain, due in part to stagnant corporate capital investment and the further deterioration of the employment situation.

The mobile telecommunications industry, the principal market in which the Backs Group operates, achieved robust growth from 93.0% to 97.4% in the percentage of subscriptions for third-generation (3G) handsets. The number of mobile phone subscriptions was 112,810,000*1 as of the end of March 2010, 4.4% 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, the competition for customers is becoming increasingly fierce as reflected in the introduction of low-fee services, as well as the provision of diverse mobile phones, such as smart phones, and content services, including music and video, 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 December 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 2009, rose 3.0% year-to-year to 317.83 million; by type of issuer, 127.18million cards were issued by banks, 91.66million cards were issued by retailers, 60.59million cards were issued by shinpan credit companies and 12.07 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, since the enforcing of regulations within the framework of the full scale enforcement of the Money Lending Business Law Amendment Act, the trend to reduce sales promotion activities remains strong among some credit card companies.

Under these situations, the Group focused its efforts of the current consolidated fiscal year under review on expansion of its business domain. One of the steps was to enter into a business partnership agreement with REQUEST INC., a company that has strength in planning and production of sales promotion, in order to streamline our one-stop system that provides every step from planning to administration and execution of store-front promotions. At the same time, we increased the number of the registered staff in operation by reinforcing training sessions and regularly visiting stores.

In addition, as of December 29, 2009 the Group acquired 69.55% of shares of JBtoB Co.Ltd., a company that provides analysis service (ASP service) of POS data with customer attributes for retails and manufacturers along with a consulting service for efficient use of information, and included the acquired company in the consolidated accounts as a subsidiary. Trough this acquisition, we will be able to expand our service portfolio by integrating JBtoB's expertise with our accumulated expertise on shop-front sale promotion and sales/sales support activities, so that we can respond to clients' diversifying needs with value-added services of a high level.

Net sales for the consolidated fiscal year under review decreased year on year, due mainly to a drop in orders for sales promotion in the mobile communications and the digital consumer electronics segments, along with

the shift by a mobile telecommunications carrier to direct employment upon expiration of the temporary staff dispatch agreement.

In terms of profits, the gross profit ratio on sales decreased 1.8 points year on year, due mainly to cutbacks in sales promotion campaigns in the mobile communications segment as a result of a decline in the number of mobile phones sold, and a decrease in the sale of large-scale contracts with high profitability in the digital consumer electronics segment. Meanwhile, selling, general and administrative expenses during the consolidated fiscal year under review decreased 0.9 points year on year, owing to the effects of efforts to reduce fixed costs by abolishing and consolidating business sites, reducing recruitment costs by improving recruiting efficiency, and implementing Group-wide cost reduction activities.

In addition, an extraordinary loss of ¥14 million for the abolishment and consolidation of business sites carried out in order to improve business efficiency and ¥6 million for the write-down of investment securities was posted.

As a result of these efforts, consolidated net sales for the fiscal year 2010 were ¥11,811 million (decrease 9.6% from the previous fiscal year). Operating Income ¥294 million (down 34.2%), Ordinary income was ¥298 million (down 33.3%), and net income was ¥159 million (down 10.5%).

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 business, as a result of the decline in sales promotion campaigns in the mobile communications and the digital consumer electronics segments, together with the reduction in the area subject to wide-area batch consignment contracts, net sales for the current consolidated fiscal year were ¥4,373 million (13.8% decrease year on year) and operating income was ¥231 million (23.5% decrease year on year).

(b) Temporary staffing

In the temporary staffing business, the expiration date of a temporary staff dispatch agreement with a major mobile telecommunications carrier fell during the period under review. As a result of the decision by the carrier to shift from temporary staffing to direct employment, as well as the weak demand for temporary staffing in the music industry, net sales for the current consolidated fiscal year were ¥7,437 million (6.8% decrease year on year) and operating income was ¥320 million (19.4% decrease year on year).

(2) By region

(a) Kanto region*1

In the Kanto region, the growth of sales was sluggish in spite of efforts focused on increasing temporary staff for full-time work in the mobile communications segment, due to a thorough re-examination by companies of

sales promotion budgets, including sales incentives and sales campaigns, coupled with the shift by a mobile telecommunications carrier from temporary staffing to direct employment upon expiration of temporary staff dispatch agreement. As a result, net sales for the current consolidated fiscal year were ¥7,242 million (8.7% decrease year on year).

(b) National*2

As was the case in the Kanto region, net sales in the mobile communications segment also decreased on the national level, due to a re-examination of the sales promotion budget by mobile telecommunications carriers, expiration of a temporary staff dispatch agreement with a mobile telecommunications carrier, and significant cutbacks in regional campaigns. Despite efforts to reduce the drop in net sales through the sales of new consumer product campaign contracts, net sales for the current consolidated fiscal year fell to 4,569 million (10.9% decrease year on year).

(3) By customer industry

(a) Mobile telecommunications*3

In the mobile communications segment, retail support and sales promotion campaign contracts decreased significantly in connection with stagnant mobile phone sales attributable to slumping personal consumption and changes in the form of sales. Further, the expiration of a temporary staff dispatch agreement with a major mobile telecommunications carrier resulted in the current consolidated fiscal year net sales of ¥6,232 million (6.4% decrease year on year).

(b) Digital consumer electronics*4

In the digital consumer electronics segment, although the sales volume of flat-screen televisions, refrigerators, air conditioners and other home appliances underwent steady growth owing to the introduction of the eco-point system, demands for digital camera and printer campaigns during the bonus season and other sales seasons, which are the Group's strength, decreased partly because of manufacturers' policies to reduce selling, general and administrative expenses. As a result, the current consolidated cumulative fiscal year net sales were 3,399 million yen (5.3% decrease year on year).

(c) Financial services*5

In the financial service segment, efforts were made to enhance the specialization of staff, for example, by holding compliance training sessions. However, a decrease in the opening of new stores in shopping malls and the ongoing efforts by credit card companies to reduce costs related to the acquisition of cardholders, such as sales promotion costs, resulted in the current consolidated fiscal year net sales of ¥520 million (33.9% decrease year on year).

(d) New Sectors*6

In the new business segment, the demand for temporary staffing increased as retail chains opened branch shops handling low-price clothing and consumer products. Meanwhile, sluggish demand for temporary staffing in the music industry, due to the deterioration of the business climate, and a decrease in demand in other distribution channels resulted in the current consolidated fiscal year net sales of ¥1,659 million (17.9% decrease year on year).

Notes:

- *1: Includes Tokyo, Kanagawa, Saitama, Chiba, Ibaraki, Tochigi, Gunma, Niigata and Yamanashi.
- *2: Indicates all other regions not listed in note (1) above.
- *3: Indicates all mobile telecommunications customers, including carriers and agents.
- *4: Indicates manufacturers of personal computers and digital consumer electronics (printers, digital cameras, security software, etc.), as well as broadband service (ADSL, optical fiber) providers.
- *5: Indicates the financial industry such as banks and credit-card firms
- *6: Indicates consumer products manufacturers, apparel companies, and call centers excluding 3, 4, 5, above.

Financial Outlook for the Fiscal Year 2011

As regards the outlook for FY2011, the Japanese economy is showing signs of slow recovery backed by healthy external demand, mainly in Asia, and the purchasing power of individual consumers is beginning to pick up with the popularization of subsidy policies, such as eco points, and low-price products. However, in the fields of sales/promotion support, the tendency to cutback on temporary staffing for store-front sales and sales promotion campaigns is expected to continue, since the pressure on companies to reduce costs remains strong. In this environment, the Group will endeavor to expand orders by taking advantage of the retail support and sales promotion know-how accumulated over the years to establish a batch consignment-type business model compliant with the amended Worker Dispatch Law in order to make high-quality service proposals on a national scale.

In terms of profit, harsh conditions are expected to continue as customer awareness of diminishing retail support and sales promotion service costs heightens with the narrowing of contractors and demands to reduce costs, among other things. Amid these circumstances, the Group will promptly address customer needs by providing high-quality services through the enhancement of staff education and training, as well as the thorough enforcement of compliance.

Further, efforts will be made to strengthen the management base and increase profitability by accelerating the expansion of solution services related to sales promotion by strengthening collaboration with REQUEST INC., which is a business partner, JBtoB Co., Ltd., which became a subsidiary in December 2009, and ICR Co., Ltd., which became an equity method affiliate in April 2010. Further, in view of the potential for growth and increasing demand in the Chinese home appliance market, there are plans to establish a new overseas subsidiary to engage in the outsourcing business in an overseas market to provide education and training in sales and store-front sales support, as well as consulting services.

Our forecasts for the March 2011 term net sales of ¥11,911 million (0.8% increase year on year), operating income of ¥261 million (11.4% decrease year on year), ordinary income of ¥261 million (12.5% decrease year on year) and net income of ¥132 million (17.0% decrease year on year).

(2) Analysis of Financial Condition

① Assets, liabilities, and capital

Assets for the current consolidated fiscal year increased by ¥62 million from the end of the previous consolidated fiscal year, resulting in an asset balance of ¥3,060 million. This is due primarily to increases of ¥49 million in cash and deposits, ¥11 million in income taxes receivable, ¥17 million in investment securities, and ¥95 million in goodwill attributable to the inclusion of JBtoB within the scope of consolidation as of the period under review, in spite of a ¥108 million decline in notes and accounts receivable-trade.

Liabilities decreased by ¥163 million from the end of the previous consolidated fiscal year, resulting in a balance of ¥1,137 million. This is due primarily to decreases of ¥111 million in income taxes payable, ¥95 million in accrued consumption taxes, and ¥58 million in accrued expenses, despite the ¥76 million increase in

accounts payable-other.

Net assets increased ¥225 million from the end of the previous consolidated fiscal year, resulting in a net asset balance of ¥1,922 million. This is due primarily to the increases of ¥116 million in retained earnings and ¥90 million yen in minority interest attributable to the inclusion of JBtoB in the scope of consolidation as of the period under review.

② Statement of Cash Flows

The balance of cash and cash equivalents (hereinafter “cash”) at the end of the current consolidated fiscal year increased by ¥49 million from the previous consolidated fiscal year, resulting in a balance of ¥1,023 million (5.1% increase from the end of the previous consolidated fiscal year).

The details of cash flows for the current consolidated fiscal year and the relevant causes are as follows:

(Cash flow in operating activities)

Cash gained in operating activities was ¥129 million (a 62.5% decrease from the end of the previous consolidated fiscal year). This is due mainly to the ¥278 million in net income before taxes and the ¥127 million decrease in accounts receivable despite the ¥217 million in corporation and other taxes paid.

(Cash flow in investing activities)

Cash used in investing activities was ¥34 million (a 6.4% increase from the end of the previous consolidated fiscal year). This is primarily due to the ¥70 million income from the reversal of time deposits, in spite of the payment of ¥91 million for the purchase of shares of a subsidiary accompanying a change in the scope of consolidation.

(Cash flow in financing activities)

Cash used in financing activities was ¥45 million (a 72.9% decrease from the end of the previous consolidated fiscal year). This is due mainly to the payment of ¥43 million as dividend payment.

(Conferences) Trends in Cash Flow-related Indicators

	FY2006	FY2007	FY2008	FY2009	FY2010
Equity ratio (%)	60.3	54.3	55.2	56.2	59.0
Equity ratio (market value basis) (%)	1,056.5	165.4	94.9	37.8	42.5
Debt redemption years	-	1.2	-	-	-
Interest coverage ratio (times)	1,563.4	206.8	-	-	-

Equity ratio = Shareholders' equity / total assets

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

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

Interest coverage ratio = Operating cash flow / interest expense

*All indices are calculated on a consolidated basis

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

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

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

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

Recognizing that returning profit to its shareholders is one of its major management tasks at hand, the Group will uphold the basic policy of sustained payment of stable dividends, while maintaining sufficient internal reserves for the improvement of its finances and for the promotion of corporate growth, mainly in the form of investments into new businesses and capital expenditure. As for shareholder dividends, the Company's policy has been to decide on the amount of dividends by taking into consideration the Company's performance and to maintain a payout ratio of more than 25% based on the consolidated net income.

In view of the above policy, the Company intends to issue a full year dividend of 360 yen per share (consolidated payout ratio of 28.5%) for the current term.

Estimated annual dividends for next fiscal year are ¥265 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 10, 2010).

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.

② Dependency 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 52.8 % as seen in the table below. Consequently the Company, aware that dependency on particular client industry will not lead to stable and sustained demand, is that we will continue our efforts to capture new digital and

financial clients as well as cultivating new segments.

However changes may occur in the business environment, such as corporate reorganization/reduced sales activities in the mobile telecommunications industry, to which the Group is incapable of adopting, materially affecting the performance of the Group.

(Transitions in sales component percentages) (Unit : %)

	FY 2008	FY 2009	FY 2010
Mobile	59.8	51.0	52.8
Non-mobile	40.2	49.0	47.2

③Increased sales component percentages to a particular client

The Group's sales to KDDI Corporation during the current consolidated fiscal year accounted for 23.1 % 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.

(Unit: thousands of yen)

	FY 2008			FY 2009			FY 2010		
	Sales	Sales component percentages (%)	Composition ratio (%)	Sales	Sales component percentages (%)	Composition ratio (%)	Sales	Sales component percentages (%)	Composition ratio (%)
Consolidated	11,775,173	100.0		13,060,113	100.0		11,811,575	100.0	
K D D I	3,311,623	28.1	(100.0)	3,048,295	23.3	(100.0)	2,731,653	23.1	(100.0)
(M o b i l e)	3,109,236	26.4	(93.9)	2,909,479	22.3	(95.4)	2,515,535	21.3	(92.1)
(D i g i t a l)	202,387	1.7	(6.1)	138,815	1.1	(4.6)	216,118	1.8	(7.9)
(K a n t o R e g i o n)	1,506,491	12.8	(45.5)	1,595,574	12.2	(52.3)	1,575,600	13.3	(57.7)
(N a t i o n a l)	1,805,132	15.3	(54.5)	1,452,720	11.1	(47.7)	1,156,053	9.8	(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.

④Social insurance coverage

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

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

could have an impact on the Backs Group's results.

⑤ Securing staff

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

However in cases where, due to drastic rise in demands and lopsided supply, staff satisfying the clients' needs cannot be adequately secured, there is the possibility that the Group's growth strategy will be materially affected.

⑥ On laws and regulations

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

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. Backs Group Inc. Group Information

The Group, comprising Backs Group Inc. (the Company) and its three consolidated subsidiaries, is engaged mainly in the business of outsourcing, temporary staffing and market research in retail support and sales promotion for BtoC (Business to Consumer) companies, including digital consumer electronics manufacturers, mobile phone companies, consumer products companies, and financial service companies, as well as of providing analysis services (ASP services) on POS data with customer attributes, along with consulting services on the efficient use of information, to retailers and manufacturers.

In terms of the product categories, the group has exhibited its strength in the retailing of “explanation-type products,” which include “advanced and multiple function products” such as mobile phones, PCs, and printers, “trial-based products” such as cosmetic, toiletry and everyday items, and “contract-based products” such as broadband and financial services.

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

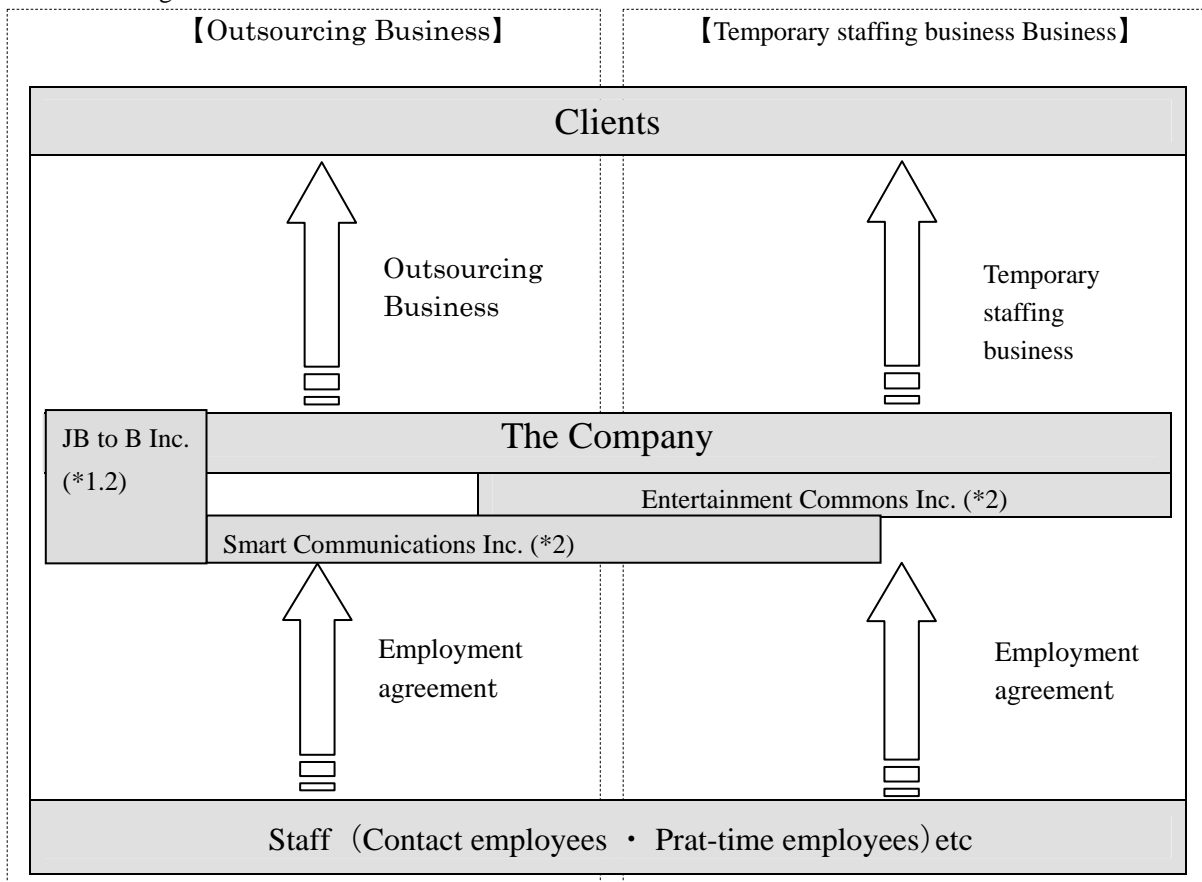
Entertainment Commons specializes in temporary staffing business in the entertainment industry with focus on the music industry.

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

On December 29, 2009, the Company purchased 69.55% of the shares of JBtoB Co., Ltd., which provides analysis services (ASP services) on POS data with customer attributes, as well as consulting services on the efficient use of information, to retailers and manufacturers.

Company name	Address	Capitalization (Thousand of yen)	Business segments	Percentage of voting rights (%)	Content
Entertainment Commons Inc.	Shibuya-ku Tokyo	10,000	• Outsourcing business • Temporary staffing business	100.0	• Managerial Guidance • Undertaking of back-office services • 4 concurrent directors
Smart Communications Inc.	Shibuya-ku Tokyo	95,000	• Outsourcing business • Temporary staffing business	100.0	• Managerial Guidance • Undertaking of back-office services • 4 concurrent directors
JB to B Inc.	Thuoh-ku Tokyo	372,500	• Outsourcing business	69.55	• 3 concurrent directors

Business diagram



(Note)

*1 JBtoB Inc. became a subsidiary as of December 29, 2009.

*2 The Company has 100% of the voting rights pertaining to each of Entertainment Commons Inc. and Smart Communications, Inc., and 69.55% of the voting rights pertaining to JBtoB Co., Ltd.

3. Management Policy

(1) Basic management policy

As a partner to its clients in the retail support/sales promotion businesses, the Backs Group Inc. group of companies adheres to and shares with its Group members the basic management philosophy of “contributing to society by growing with our clients and our staff.” Moreover the Group will continue to provide valuable services and make sustained efforts to enhance its enterprise value, thereby fulfilling its responsibilities towards its stakeholders, including the community, its shareholders, its clients, its employees and staff.

At the Group, personnel employed in sales, marketing and customer contact positions are referred to as “orange collar” workers, who are required to be equipped with far greater communication skills than “white collar” and “blue collar” workers. By operating retail/sales organizations comprised of such personnel, the Group has been promoting an unique business that supports the retail and sales activities of its corporate clients. Moreover, by utilizing its experience in over-the-counter retail/sales support and continuing to provide sales/customer contact staff to large discount retailers /GMSs and the restaurant businesses, the Group intends to solidify its position as a “comprehensive orange collar enterprise” and provide a line of comprehensive services.

(2) Targeted Management Indices

The enhancement of shareholder return being one its top priorities and from the perspective of heightening profitability and capital efficiency for the purpose of increasing its comprehensive enterprise value, the Company has posted consolidated Return on Equity (ROE) as the most important of its management indices. The Company will strive to maintain a consolidated ROE of 20% or more and as a measure of business productivity and soundness it will continue its effort in achieving an Operating Income to Sales Ratio of 5% or more in the medium-term.

(3) Medium- and Long-term Management Strategies

Grounded in the management philosophy of “contributing to society by growing with our clients and our staff,” the Group’s basic strategy is to engage in the comprehensive “orange collar” business, “as a partner to our corporate clients in retail support/sales promotion businesses.”

Based on these principles, the Company intends to

- (1) Not limiting itself to BtoC companies, respond to various demands concerning sales promotion and business management arising from the various sales channels.
- (2) Optimize its business portfolio by expanding its customer base.
- (3) Offer diverse types of employment to prospective workers of a wide-ranging age group

By expanding its business based on the above three pillars, the Company intends to pursue its medium- to long-term management strategy of evolving into a “comprehensive orange collar enterprise” and solidifying its position as the “No. 1 company in the retail support field.”

(4) Essential Tasks at Hand

In the backdrop of economic recession, the business environment surrounding the Company is becoming increasingly more severe, due to sluggish personal consumption and the impact of stricter regulations.

Amid these conditions, from the perspective of business stability and the diversification of risk, the Company, while continuing to take into account the balance of sales segments in its business portfolio, will endeavor to expand its customer base and tap new product sources with a view to constructing new client segments in addition to the existing fields of mobile, digital and financial services and at the same time concentrate on absorbing business demands on a

nation-wide basis by utilizing its sales offices around the nation.

Regarding the acquisition of new customers, retail support and sale promotion services for sales channels will be strengthened, along with those for BtoC companies. Further, efforts will be made to expand business domains and the customer base by adding the know-how on research for distribution channels, as well as that on the planning and execution of store-front promotion, to store-front sales promotion services that the Group has been building on, in order to increase the value of retail support and sales promotion services, while reinforcing the service line-up in order to fulfill diverse customer needs.

At the same time, the ability to supply human resources will be enhanced through the realization of plans for an efficient hiring media and the effective use of the Company's own job information site "digibeit@.com" (<http://digibeit.com/>), while improving service quality by focusing on the education and training of registered staff in order to enhance and standardize their quality.

Since the expansion of business domains will necessitate dealing with various laws and regulations, education and training on compliance will be provided to employees and staff to familiarize them with the importance of compliance, in addition to establishing adequate management systems. In the temporary staffing business, the move to amend laws will be followed closely as the Group promotes the shift from the temporary staffing business to the outsourcing business in preparation for the tightening of regulations. Further, efforts will be made to expand into new business domains, while establishing internal systems and structures necessary therefor.

4. Consolidated Balance sheet and Income statement

(1) Consolidated for the fiscal year Balance Sheets

(Unit : Thousands of yen)

Item	FY2009	FY2010
	(March 31, 2009)	(March 31, 2010)
	Amount	Amount
Assets		
I Current Assets		
1. Cash and cash equivalents	973,512	1,023,386
2. Notes and accounts receivable	1,543,228	1,434,892
3. Income taxes receivable	-	11,934
4. Deferred tax assets	59,342	72,197
5. Others	53,884	50,495
Allowance for doubtful accounts	-5,428	-4,646
Total currents assets	2,624,538	2,588,260
II Fixed Assets		
1. Property and equipment		
(1) Buildings and structures	98,249	93,658
(2) Accumulated depreciation	-62,866	-65,014
(3) Buildings and structures (net)		
(4) Tools, furnitures and fixtures (net)	35,382	28,644
	90,278	107,276
(5) Depreciation and amortization	-66,124	-84,743
(6) Tools, furnitures and fixtures (net)		
	24,154	22,532
(7) Lease assets	-	8,640
(8) Depreciation and amortization	-	-1,885
(9) Lease assets (net)	-	6,755
Total fixed assets	59,536	57,932
2. Intangible fixed assets		
(1) Goodwill	-	106,680
(2) Software	43,105	25,842
(3) Others	14,253	1,745
Total intangible fixed assets	57,359	134,267
3. Investments and other assets		
(1) Investments in securities	21,204	38,452
(2) Deposits and guarantees	210,297	186,835
(3) Deferred tax assets	25,758	49,931
(4) Others	3,530	10,998
Allowance for doubtful accounts	-3,530	-5,965
Total investments and other assets	257,260	280,251
Total fixed assets	374,156	472,451
Total Assets	2,998,695	3,060,712

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

(Unit : Thousands of yen)

Item	FY2009	FY2010
	(March 31, 2009)	(March 31, 2010)
	Amount	
LIABILITIES		
I Current Liabilities		
1. Notes and accounts payable	60,684	77,262
2. Trade liabilities	76,319	152,675
3. Income taxes payable	117,179	5,965
4. Consumption tax payable	146,426	51,324
5. Accrued expenses	725,467	667,064
6. Allowance for bonus payable	73,076	66,068
7. Others	101,779	112,667
Total current liabilities	1,300,933	1,133,030
II Fixed Liabilities		
1. Lease obligation	-	4,870
Total fixed liabilities	-	4,870
Total Liabilities	1,300,933	1,137,900
SHAREHOLDERS' EQUITY		
I Shareholder's equity		
1. Capitalization	406,970	406,970
2. Capital surplus	432,958	432,958
3. Retained earnings	1,227,609	1,343,792
4. Treasury stock	-382,410	-382,410
Total Shareholders' Equity	1,685,127	1,801,310
II Valuation and translation adjustments		
1. Net unrealized gain/loss on other securities	561	2,983
Total valuation And translation adjustments	561	2,983
III Stock acquisition rights	12,073	28,228
IV Minority interest	-	90,290
Total net assets	1,697,762	1,922,812
Total Liabilities And Net Assets	2,998,695	3,060,712

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

(2) Consolidated Income Statements

(April 1, 2009 – March 31, 2010)

(Unit : Thousands of yen)

Item	FY2009 (April 1, 2008 –March 31, 2009)	FY2010 (April 1, 2009 –March 31, 2010)
	Amount	
I Net sales	13,060,113	11,811,575
II Cost of sales	9,896,616	9,170,149
Gross profit on sales	3,163,496	2,641,426
III selling, general and administrative expenses	2,715,430	2,346,705
Operating Income	448,065	294,721
IV Non-operating revenues		
1. Interest received	1,178	816
2. Commissions receivable	204	176
3. Reversal of unpaid dividends	280	1,085
4. Indemnity receivable	–	2,420
5. Others	380	231
Total non-operating revenues	2,044	4,730
V Non-operating income		
1. Interest expenses	3	–
2. Stock buy-back costs	615	–
3. Commitment fee	2,202	1,199
4. Others	86	9
Total non-operating income	2,908	1,209
Ordinary income	447,201	298,242
VI Extraordinary gains		
1. Reversal of reserve for bonuses	2,062	1,088
2. Reversal of stock subscription rights	–	736
Total extraordinary gains	2,062	1,824
VII Extraordinary Loss		
1. Loss on sale of fixed assets	530	–
2. Loss on retirement of fixed assets	238	204
3. Write-down of investment securities	42,470	6,741
4. Impairment loss	31,446	1,750
5. Expenses for restoration to original state	11,116	3,508
6. Penalty charges for terminating office lease contract	10,911	3,554
7. Cancellation penalties	1,500	5,794
Total extraordinary loss	98,212	21,554
Net income before taxes	351,051	278,512
Corporate tax, resident tax and business tax	208,773	90,587
Income taxes adjustments	–35,306	24,902
Total corporate tax	173,466	115,489
Minority interests in income	–	4,009
Net income	177,584	159,014

(3) Consolidated statement of Changes in Shareholders' Equity

(Unit: Thousands yen of yen)

Item	FY2009 (April 1, 2008 - March 31, 2009)	FY2010 (April 1, 2009 - March 31, 2010)
	Amount	
Shareholders' equity		
I Capital Stock		
Balance as of the end of the previous fiscal year	406,970	406,970
Change during the current fiscal year		
Total change during the current fiscal year	-	-
Balance as of the end of the current fiscal year	406,970	406,970
II Total Capital Surplus		
Balance as of the end of the previous fiscal year	432,958	432,958
Change during the current fiscal year		
Total Change during the current fiscal year	-	-
Balance as of the end of the current fiscal year	432,958	432,958
III Retained Earnings		
Balance as of the end of the previous fiscal year	1,100,934	1,227,609
Change during the current fiscal year		
Dividends	-50,910	-42,831
Net Income	177,584	159,014
Total Change during the current fiscal year	126,674	116,183
Balance as of the end of the current fiscal year	1,227,609	1,343,792
IV Treasury Stock		
Balance as of the end of the previous fiscal year	-288,470	-382,410
Change during the current fiscal year		
Treasury stock aquisition	-93,940	-
Total Change during the current fiscal year	-93,940	-
Balance as of the end of the current fiscal year	-382,410	-382,410
V Total Shareholders' Equity		
Balance as of the end of the previous fiscal year	1,652,392	1,685,127
Change during the current fiscal year		
Dividends	-50,910	-42,831
Net income	177,584	159,014
Treasury stock aquisition	-93,940	-
Total Change during the current fiscal year	32,734	116,183
Balance as of the end of the current fiscal year	1,685,127	1,801,310
VI Valuation and translation adjustments		
Net unrealized gain/loss on other securities		
Balance as of the end of the previous fiscal year	-	561
Change during the current fiscal year		
Treasury stock disposal (net)	561	2,422
Total Change during the current fiscal year	561	2,422
Balance as of the end of the current fiscal year	561	2,983
Total Valuation and translation adjustments		
Balance as of the end of the previous fiscal year	-	561
Balance as of the end of the current fiscal year		
Treasury stock disposal (net)	561	2,422
Total change during the current fiscal year	561	2,422
Balance as of the end of the current fiscal year	561	2,983
V Stock subscription rights		

Balance as of the end of the previous fiscal year	3,023	12,073
Change during the current fiscal year		
Treasury stock disposal (net)	9,049	16,154
Total change during the current fiscal year	9,049	16,154
Balance as of the end of the current fiscal year	12,073	28,228
VI Minority interests in income		
Balance as of the end of the previous fiscal year	-	-
Change during the current fiscal year		
Treasury stock disposal (net)	-	90,290
Total treasury stock disposal	-	90,290
Balance as of the end of the current fiscal year	-	90,290
VII Total Net Assets		
Balance as of the end of the previous fiscal year	1,665,416	1,697,762
Change during the current fiscal year		
Dividends	-50,910	-42,831
Net income	177,584	159,014
Treasury stock aquisition	-93,940	-
Treasury stock disposal (net)	9,611	108,867
Total change during the current fiscal year	42,345	225,050
Balance as of the end of the current fiscal year	1,697,762	1,922,812

(4) Consolidated Statement of Cash Flows

(Unit: Thousands yen of yen)

	FY2009 (April 1, 2008 – March 31, 2009)	FY2010 (April 1, 2009 – March 31, 2010)
	Amount	
I Cash flow operating activities		
Income before income taxes and minority interests	351,051	278,512
Depreciation and amortization	49,146	38,157
Amortization of goodwill	–	7,464
Impairment loss	31,446	1,750
Changes in provision for doubtful accounts	3,941	1,418
Changes in provision for bonuses	8,052	–9,418
Interest and dividend income	–1,329	–816
Interest expense	3	–
Loss on retirement of fixed assets	238	204
Write-down of investment securities	42,470	6,741
Loss on sale of property and equipment	530	–
Change in accounts receivable	92,448	127,268
Change in accounts payable	–43,754	16,578
Change in consumption tax payable	21,683	–96,757
Changes in accrued expenses	19,893	–59,100
Change in trade liabilities	–22,935	19,142
Others	37,007	15,542
Subtotal	589,892	346,687
Interest and dividends received	1,309	786
Interest payments	–3	–
Income taxes paid	–244,746	–217,657
Net cash from operating activities	346,451	129,816
II Net cash from operating		
Payments for purchases of property and equipment	–17,334	–3,862
Proceeds from sales of property and equipment	8	–
Payments for purchases of intangible fixed assets	–14,466	–2,823
Payment of deposits and guarantees	–15,603	–91
Proceeds from cancel of the deposits and guarantees	8,889	25,376
Payments into time deposits	–	–10,024
Proceeds from withdrawal of time deposits	4,000	70,080
Proceeds from business transfer	3,000	–
Purchases of investment securities	–	–21,480
Payments for purchase of shares of subsidiaries accompanying changes in the scope of consolidation	–493	–91,236
Net cash from investing activities	–31,998	–34,061
III Cash flow from financing activities		
Repayment of long-term debt	–23,438	–
Payments for repayment of lease obligations	–	–1,885
Payments for dividends	–51,297	–43,995
Proceeds from sale of treasury stock	–94,555	–
Cash flow from Financing Activities	–169,291	–45,880
IV Change in cash and cash equivalents	145,162	49,874
V Cash and cash equivalents at the beginning of the period	828,350	973,512
VI Cash and Cash equivalents, end of Fiscal year	973,512	1,023,386

(5) **Segment Information**

[Industry segments]

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

(Unit: Thousands of yen)

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

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

(Unit: Thousands of yen)

	Outsourcing business	Temporary Staffing	Total	Eliminatio ns and corporate	Consolidated
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
Operating expenses	4,145,842	7,117,547	11,263,390	253,463	11,516,854
Operating income	231,253	320,228	551,481	(256,760)	294,721
II Assets, depreciation expenses, and capital expenses					
Assets	1,294,845	1,556,959	2,851,805	208,907	3,060,712
Depreciation and amortization	9,697	13,066	22,763	15,393	38,157
Capital expenditure	1,772	539	2,312	2,424	4,736

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

2. Major businesses under each category

① Outsourcing business.....

Field staff business, Rounders (Route sales staff) business

② Temporary staffing business

Temporary staffing service business

3. Among the business expenses in the previous fiscal year, ¥251,738 million of unallocated expenses was included in the “Eliminations and corporate” item. These were mainly expenses associated with the parent company’s management department.

Among the business expenses in the current fiscal year, ¥256,760 million of unallocated expenses was included in the “Eliminations and corporate” item. These were mainly expenses associated with the parent company’s management department.

4. Among assets in the previous consolidated fiscal year, the value of the entire company’s assets included in “Eliminations or corporate” item was ¥161,081 million. Main accounts included in this item are long-term investment funds (investment securities) and assets associated with the Operations Department.

Among assets for the current consolidated fiscal year, the value of the entire company's assets included in "Eliminations or corporate" item was ¥208,534 million. The main accounts included in this item are long-term investment funds (investment securities) and assets associated with the Operations Department.

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

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

The change has resulted in a decrease in operating income for the current consolidated fiscal year by ¥1,207 million in the outsourcing business and by ¥1,636 million in the temporary staffing business.