



July 28, 2011

Summary of Consolidated Earnings Report for the First Quarter of the Fiscal Year Ending March 31, 2012

Company Name: Backs Group Inc. (URL: <http://www.backs.co.jp/>)
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Stock Listings: JASDAQ
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Use of U.S. accounting standards: None

1. Consolidated Results for the First Quarter FY2012 (April 1, 2011– June 30, 2011)

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

	Net Sales		Operating Income		Ordinary Income		Net Income	
		%		%		%		%
FY2012 1Q	3,338	16.8	57	-12.9	56	5.0	26	69.1
FY2011 1Q	2,859	-5.4	65	-9.1	53	-25.8	15	-56.3

Note: Comprehensive Income FY2012 1Q 27million (62.9%) FY2011 1Q 17 million (-%)

	Net Income per share (yen)	Net Income per share (Diluted) (yen)
FY2012 1Q	209.90	209.84
FY2011 1Q	124.12	124.08

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

	Total Assets	Shareholders' Equity	Equity Ratio
FY2012 1Q	3,364	2,097	57.9%
FY2011 1Q	3,411	2,121	57.9%

Reference: Equity capital FY2012 1Q 1,947million FY2011 1,976 million

2. Dividends

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

Note: Revisions to recently released dividend estimates: None

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

(Values in parentheses are rates of growth or decline compared to the previous year)

	Net Sale		Operating Income		Ordinary Income		Net Income per Share		Net Income per Share (yen)
		%		%		%		%	(Yen)
Interim	6,453	5.4	140	-17.8	140	-13.5	70	-8.5	555.67
Full term	13,355	6.9	400	4.2	400	5.9	200	-8.2	1,587.63

Note: Revisions to recently announced earnings estimates: None

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) Application of special accounting methods in the creation of quarterly consolidated financial statements: None

(3) Changes in Accounting Policies, Accounting Estimates and Redisplay of revisions

- ① Changes in accounting policies in accounting standards: Yes
- ② Changes in accounting policies other than those stated above: None
- ③ Changes in accounting estimates: None
- ④ Redisplay of revisions: None

(4) Number of Share outstanding (Common stock)

- ① Number of Shares outstanding at the end of fiscal year (Included treasury stock)
- ② Number of shares outstanding at the end of the fiscal year
- ③ Average number of shares during the period (For the current consolidated first quarter)

FY2012 1Q	125,974 shares	FY2011	125,974 shares
FY2012 1Q	— shares	FY2011	— shares
FY2012 1Q	125,974 shares	FY2011 1Q	125,974 shares

Notes on the proper use of the forecasts, and other special instructions

Forecasts contained in this report are based on information available at the time of this announcement, and assume that unknown factors may affect future performance. Actual results may differ significantly due to a variety of factors.

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1. Qualitative Information and Consolidated Business Results

(1) Analysis of Operating Results

During the first quarter of the current fiscal year, the Japanese economy suffered from a sudden slowing due in part to the Great East Japan Earthquake, which struck Japan on March 11, and despite continued economic growth primarily in parts of Asia. Along with the recovery of production facilities located in Eastern Japan, the supply chain is recovering and corporate production activities are returning to normal.

While demand for consumer electronic products and other basic necessities increased in the wake of the earthquake, personal consumption is suffering from prolonged stagnation in personal income and employment market conditions, and the heightened defensive mentality of consumers with regards to household spending contributed to a slower recovery in demand than the recovery in supply of goods.

The market for our main business of mobile telecommunications trended firmly during the first quarter with growth in domestic shipments remaining positive on the back of replacement demand of smart phones and other multiple function cellular handsets, and growth in PHS contracts that started at the end of the previous term.

Within the digital consumer electronics industry, contracts for Internet connections and other broadband services rose by 1.1% year-on-year to 34.96 million, while contracts for DSL *1 fell by 4.5% year-on-year to 8.2 million at the end of March 2011. At the same time FTTH *2 contracts grew by 2.3% year-on-year to 20.23 million.

In the credit card industry the number of credit cards issued grew by low margin of 1.4% year-on-year to 322.33 million, and by various issuers of credit cards banks, retailers, consumer credit, and manufacturers accounted for 133.36, 99.57, 47.33, and 12.97 million cards respectively *4. And while the applications of credit cards is growing in breadth as they have recently been approved for use in payment of medical expenses and other daily necessity settlements, tighter restrictions arising from revisions in the Moneylending Control Act have led to restrained marketing activities to cultivate new card holders.

Against this backdrop, the Backs Group leveraged its sales promotion knowhow developed through its experience in the industry to capture orders for lump sum consigned work projects on an area wide basis in the mobile communications and digital consumer electronics fields to grow its existing business. At the same time, the breadth of our services widened along with the full scale launch of fee collection services performed on behalf of Government agencies.

Furthermore Backs fortified its staff training programs and operation manuals, and strengthened its operational management as a means of raising the quality of its services to increase customer satisfaction levels.

With regards to sales, Backs endeavored to grow orders for lump sum consigned work projects on an area wide basis in the realms of mobile telecommunications and digital consumer electronics, while demand for human resources in the area of smart phones remained strong. Consequently sales during the first quarter grew by a large margin from the first quarter of the previous fiscal year.

With regards to profits, subcontracted work and other expenses arising from consigned work projects on an area wide basis mentioned above, which is still in its initial stages of operation, caused profits to decline. Also the introduction of additional staff to bring about a recovery in the results attainment rates, which had been depressed by the earthquake, caused gross margins to decline by 2.5% points year-on-year.

At the same time selling, general and administrative expenses rose on the back of staff hiring and traveling expenses accompanying the increase in sales. As a result of ongoing efforts to optimize operations and reduce expenses continuing from the previous term, selling, general and administrative margins declined by 1.9% points from the same period in the previous term.

In addition, ¥12 million was incurred as non-operating expense for the establishment of an overseas subsidiary, and ¥20 million was booked as an extraordinary loss as a result of the implementation of asset retirement obligation accounting standards. But the lack of any other significant expenses at the non-operating and extraordinary levels allowed both ordinary and net incomes to rise from the first quarter in the previous fiscal year.

Consequently, sales rose by 16.8% year-on-year to ¥3.338 billion while operating income declined by 12.9% year-on-year to ¥57 million. At the same time both ordinary and net incomes grew by 5.0% and 69.1% year-on-year to ¥56 and ¥26 million respectively.

Notes:

- *1 DSL: An acronym for digital subscriber line that provides network access service through telephone lines (Including ADSL)
- *2 FTTH: An acronym for fiber to the home that provides network access service through optical fiber cable. (Some applications in multiple unit residences use telephone lines and are also know as VDSL)
- *3 Source: Ministry of Internal Affairs and Communications' "Quarterly Data for Electronic Communications Services Contract Numbers and Share"
- *4 ource: Japan Consumer Credit Industry Association Report "Credit Cards Numbers by Issuers"

<Results by Major Segment>

(1) By business segment

(a) Outsourcing

In the outsourcing business segment, strong demand for sales staff with the ability to explain the various highly sophisticated functions of smart phones continued from the previous term, and the start of integrated area wide lump-sum consignment of orders also contributed to growth in orders. With regards to profits, the appearance of subcontracting expenses caused profitability to decline, and the burden from additional staff introduced to help compensate for the decline in business attainment rates at the time of the earthquake also depressed profits. Consequently, sales rose by 51.4% year-on-year to ¥1.633 billion while operating income fell by 26.8% year-on-year to ¥32 million during the first quarter of the current term.

(b) Temporary staffing

In the personnel dispatch business, the switch to a consigned work model in mobile applications and restraint in marketing to promote new card memberships by credit card companies contributed to a decline in sales. With regards to profits, favorable trends in consigned fee collection work on behalf of Government agencies and optimization of employee deployment through shifts in positions allowed operating income to grow by 14.9% year-on-year to ¥25 million despite a 4.2% year-on-year decline in sales to ¥1.704 billion during the first quarter of the current term.

(2) By region

(a) Kanto region*1

In the Kanto region, the start of new fee schedules and services for mobile handsets and the launch of sales of smart phones and other high functionality handsets led to increased marketing activities by the various cellular phone service carriers, which in turn contributed to an expansion in lump sum consignment orders on an area wide basis. Consequently sales rose by 17.7% year-on-year to ¥2.022 billion in the first quarter of the current term.

(b) National*2

On a nationwide basis, sales promotion campaign orders declined due to the negative impact of the earthquake but the acquisition of new lump sum orders on a wide area basis and increased demand for sales staff to sell smart phones and other high functionality handsets allowed sales to grow by a strong margin of 15.0% year-on-year to ¥1.312 billion.

(c) Overseas

In overseas markets, sales of store auditing related services were booked by our subsidiary in China. Consequently we realized sales of ¥3 million during the first quarter.

(3) By customer industry

(a) Mobile telecommunications*3

In the mobile telecommunications industry, demand for sales support services for smart phones and other high functionality handsets remained strong and sales support services to explain fee schedules for PHS, which saw a strong increase in contracts due to the launch of competitive fixed rate fees, grew strongly. Furthermore expansion in lump sum consignment orders a wide area basis in special areas where we perform outsourced services allowed sales to rise. Consequently sales grew by 19.6% year-on-year during the first quarter to ¥1.873 billion.

(b) Digital consumer electronics*4

In the realm of digital consumer electronics, the rush to purchase digital broadcast capable flat screen televisions due to the end of conventional analog terrestrial television broadcast accompanying the switch to digital terrestrial television broadcast led to strong growth in lump sum consignment orders for sales support services on a wide area basis. Consequently sales rose by 16.8% year-on-year to ¥921 million.

(c) Financial services*5

In the financial services sector, demand for shopping mall card campaigns trended strongly, but restrained new card member promotion activities led to a decline in sales of 0.8% year-on-year to ¥112 million in the first quarter.

(d) Entertainment realm*6

In the entertainment realm, growth in the number of customer companies in our entertainment industry dispatched worker business allowed sales to rise by 20.6% year-on-year to ¥186 million.

(e) New Sectors*7

In the new business segment, growth in orders for consigned fee collection services for Government agencies launched in the previous term and consumer goods sales campaigns contributed to a 3.8% year-on-year increase in sales to ¥244 million.

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 the entertainment industry. Entertainment related services had been included in the others segment during the previous term, but this service has been disclosed separately by industry of customers from the current term because of the potential for its sales to account for a significant portion of total sales.

*7: Indicates consumer products manufacturers, retailers, and distribution excluding *3, *4, *5, *6 above.

(2) Analysis of Financial Condition

During the first quarter of the current fiscal year, total assets declined by ¥46 million from the end of the previous fiscal year to ¥3.364 billion. The main factors influencing this decline were a ¥48 million increase in cash and equivalents, and ¥62 and ¥27 million declines in notes and accounts receivables and deferred tax assets respectively.

Total liabilities fell by ¥22 million from the end of the previous fiscal year to ¥1.266 million. The main factors influencing liabilities included ¥61 and ¥37 million increases in current liabilities and unpaid fees respectively.

Also unpaid corporate taxes and bonus reserves fell by ¥95 and ¥32 million respectively.

Net assets declined by ¥23 million from the end of the previous term to ¥2.097 billion. Main factors affecting net assets included a ¥26 million rise in net income, and a ¥28 million decline in retained earnings resulting from ¥55 million drop in dividend payments.

(3) Quantitative Information on Consolidated Results Forecast

With regards to earnings estimates, we maintain our outstanding earnings estimates originally announced on May 9, 2011 along with our consolidated earnings results for the fiscal year March 2011 (Japan Standard).

※Our earnings estimates are based on the best information available at the time of its announcement and may not fully reflect latent risks and other unforeseen factors. Therefore our actual earnings may diverge from our estimates due to various changes in factors influencing our earnings.

2. Summary Information (Others)

(1) Changes in Important Subsidiaries during the Current Quarter.

None

(2) Special accounting methods implemented in the creation of our quarterly consolidated financial statements.

None

(3) Changes and revisions in the redisplay of accounting policies and accounting estimates.

(Changes in accounting methods)

From the first quarter of the current fiscal year “Accounting Standards for Earnings per Share” (Corporate Accounting Standards Number 2, June 30, 2010), “Implementation Policy for Accounting Standards for Earnings per Share” (Corporate Accounting Standard Guidance Number 4, June 30, 2010) have been applied. The implementation of these standards has no impact upon our earnings.

3. Consolidated Balance sheet and Income statement

(1) Consolidated for the fiscal year Balance Sheets

(Unit : Thousands of yen)

Item	FY2011 (March 31, 2011)	FY2012 1Q (June 30, 2011)
	Amount	Amount
Assets		
I Current Assets		
1. Cash and cash equivalents	1,212,074	1,260,398
2. Notes and accounts receivable	1,614,076	1,551,587
3. Income taxes receivable	80	710
4. Deferred tax assets	70,262	47,153
5. Others	45,976	50,814
Allowance for doubtful accounts	-2,455	-1,565
Total currents assets	2,940,015	2,909,100
II Fixed Assets		
1. Property and equipment		
(1) Buildings and structures (net)	24,132	24,343
(2) Tools, furnitures and fixtures (net)	16,502	15,689
Total fixed assets	40,635	40,033
2. Intangible fixed assets		
(1) Goodwill	83,736	78,000
(2) Software	13,661	26,572
(3) Provisional accounts for software	37,720	21,900
(4) Others	856	845
Total intangible fixed assets	135,973	127,319
3. Investments and other assets		
(1) Investments in securities	81,004	80,021
(2) Deposits and guarantees	160,325	159,465
(3) Deferred tax assets	47,323	42,808
(4) Others	13,365	13,196
Allowance for doubtful accounts	-7,269	-7,101
Total investments and other assets	294,749	288,390
Total fixed assets	471,359	455,742
Total Assets	3,411,374	3,364,842

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

(Unit : Thousands of yen)

Item	FY2011 (March 31, 2011)	FY2012 1Q (June 30, 2011)
	Amount	Amount
LIABILITIES		
I Current Liabilities		
1. Notes and accounts payable	95,853	92,319
2. Trade liabilities	88,168	68,535
3. Income taxes payable	102,876	7,593
4. Consumption tax payable	103,262	131,703
5. Accrued expenses	713,038	750,593
6. Allowance for bonus payable	71,623	39,447
7. Others	115,082	176,728
Total current liabilities	1,289,904	1,266,921
Total Liabilities	1,289,904	1,266,921
SHAREHOLDERS' EQUITY		
II Shareholder's equity		
1. Capitalization	406,970	406,970
2. Capital surplus	432,949	432,949
3. Retained earnings	1,133,997	1,105,011
Total Shareholders' Equity	1,973,917	1,944,931
III Accumulated other comprehensive income		
1. Valuation difference on other marketable securities	2,626	2,909
2. Forex translation adjustment account	-68	-253
3. Accumulated other comprehensive income, aggregated	2,558	2,656
IV Stock acquisition rights	42,182	45,107
V Minority interest	102,810	105,225
Total net assets	2,121,469	2,097,921
Total Liabilities And Net Assets	3,411,374	3,364,842

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

(2) Consolidated Quarterly Earnings and Comprehensive Income
(April 1, 2011 – June 30, 2011)

(Unit : Thousands of yen)

Item	FY2011 1Q (April 1, 2010 -June 30, 2010)	FY2012 1Q (April 1, 2011 -June 30, 2011)
	Amount	Amount
I Net sales	2,859,247	3,338,198
II Cost of sales	2,227,745	2,684,364
Gross profit on sales	631,501	653,834
III Selling, general and administrative expenses	565,699	596,528
Operating Income	65,802	57,306
IV Non-operating revenues		
1. Interest received	133	143
2. Commissions receivable	43	46
3. Equity in affiliates' earnings	67	-
4. Indemnity receivable	47	690
5. Others	50	13
Total non-operating revenues	342	892
V Non-operating income		
1. Investment loss on equity method	-	1,455
2. Commitment fee	299	299
3. Subsidiary establishment expense	12,226	-
4. Others	11	175
Total non-operating income	12,536	1,930
Ordinary income	53,608	56,269
VI Extraordinary gains		
1. Reversal of reserve for bonuses	997	-
2. Reversal of allowance for doubtful account	1,353	-
3. Gain on variations in equity investments in consolidated subsidiary	-	84
Total extraordinary gains	2,350	84
VII Extraordinary Loss		
1. Effect of the newly applied Accounting Standard for Asset Retirement Obligations	20,164	-
Total extraordinary loss	20,164	-
Net income before taxes	35,794	56,353
Corporate tax, resident tax and business tax	31,088	1,129
Income taxes adjustments	-13,636	27,435
Total corporate tax	17,451	28,564
Quarterly net income before income taxes and minority interests	18,342	27,788
Minority interests in income	2,707	1,346
Net income	15,635	26,442
Minority interests in income	2,707	1,346
Quarterly net income before income taxes and minority interests	18,342	27,788
VIII Other comprehensive income		
1. Other marketable securities valuation difference	-1,240	278
2. Value of minority interest in affiliated companies	-	4
3. Forex translation adjustment account	-	-214
Total other comprehensive income	-1,240	68
Quarterly comprehensive income	17,101	27,857
(Composition)		
Quarterly comprehensive income of parent company	14,394	26,541
Quarterly comprehensive income of minority shareholders	2,707	1,316

(3) Notes on the premises of a going concern

Current consolidated period (April 1, 2011 – June 30, 2011)

None

(4) Additional Information

Due to the corrections made to past errors and changes resulting from changes in accounting performed at the beginning of the first quarter of the current fiscal year, the “Accounting Standards for Accounting Changes and Error Corrections” (Corporate Accounting Standard Number 24, December 4, 2009) and “Guidance on Accounting Standards for Accounting Changes and Error Corrections” (Corporate Accounting Standard Guidance Number 24, December 4, 2009) have been applied.

(5) Segment Information

Previous consolidated period (April 1, 2010– June 30, 2010)

1. Sales, profit or loss amount by segments

(Unit: Thousands of yen)

	Outsourcing business	Temporary Staffing	Total	Eliminations and corporate	Consolidated
Net Sales					
Sales to external clients	1,079,067	1,780,180	2,859,247	-	2,859,247
Internal sales or transfers between segments	217	-	217	(217)	-
Total	1,079,284	1,780,180	2,859,464	(217)	2,859,247
Segment income	43,919	21,882	65,802	-	65,802

2. Impairment loss on fixed assets or amortization of goodwill by segments

(Important impairment loss on fixed assets)

None

(Important changes in the amount of amortization of goodwill)

None

(Occurrence of Important negative Goodwill)

None

Current consolidated period (April 1, 2011– June 30, 2011)

1. Sales, profit or loss amount by segments

(Unit: Thousands of yen)

	Outsourcing business	Temporary Staffing	Total	Eliminations and corporate	Consolidated
Net Sales					
Sales to external clients	1,633,476	1,704,721	3,338,198	-	3,338,198
Internal sales or transfers between segments	-	246	246	(246)	-
Total	1,633,476	1,704,967	3,338,444	(246)	3,338,198
Segment income	32,165	25,140	57,306	-	57,306

2. Impairment loss on fixed assets or amortization of goodwill by segments

(Important impairment loss on fixed assets)

None

(Important changes in the amount of amortization of goodwill)

None

(Occurrence of Important negative Goodwill)

None

(6) Note in the event of any significant change in shareholders' equity

Current consolidated period (April 1, 2011– June 30, 2011)

Compared with FY2011, no significant changes were reported.

(7) Important Subsequent Events

First Quarter Fiscal Year March 2012
(From April 1 to June 30, 2011)

(Stock Options Issued)

With regards to the resolution to issue stock options passed during the 22nd annual general shareholders meeting held on June 22, 2010, a resolution containing the details listed below was passed during the board of directors' meeting held on June 30, 2011.

1. Stock option issuance date: July 21, 2011
2. Number of stock options: 3,820
3. Type of stock represented by the stock options: Common stock
4. Number of shares represented by the stock options: 3,820
5. Price of stock options issued: Gratis
6. Exercise price of stock options: ¥17,000
7. Stock option exercise terms:

- ① Those have been awarded and can exercise stock options must be directors, auditors and or employees of our Company and its affiliates at the time they are awarded or exercised. The exceptions to this condition are in the event where the stock option holder has retired from the company after completing their term of office and others, which are justified.
- ② The options cannot be exercised in the event that the option holder abandons the options.
- ③ Legal inheritors of stock option holders will not be allowed to exercise stock options.
- ④ Stock option holders will not be allowed to exercise more than ¥12 million in total market value of stock options within a single calendar year (January 1 to December 31).

Other conditions of the stock options are defined in the "stock option allocation contract" formed between our Company and the stock option holder.

8. Regarding transfer of stock options

The transfer of stock options is subject to the approval of our board of directors.

4. Supplementary information

(1) Key indicators for business management

Period	FY2011 1Q (April 1, 2010 – June 30, 2010)	FY2012 1Q (April 1, 2011 – June 30, 2011)	FY2011 (March 31, 2011)
Net sales (thousands of yen)	2,859,247	3,338,198	12,489,980
Ordinary Income (thousands of yen)	53,608	56,269	377,710
Net Income (thousands of yen)	15,635	26,442	217,957
Comprehensive income (thousands of yen)	17,101	27,857	228,963
Shareholders' Equity (thousands of yen)	1,899,160	2,097,921	2,121,469
Total assets (thousands of yen)	3,108,096	3,364,842	3,411,374
Net Income per Share (yen)	124.12	209.90	1,730.18
Net Income per Share(diluted) yen)	124.08	209.84	1,729.72
Equity Ratio (%)	57.1	57.9	57.9

(2) Production, Orders and Sales

① Actual production results

This section has been abridged, as the outsourcing business and temporary staffing business of the Group do not correspond to the description of actual production results.

② Actual orders received

This section has been abridged, as both on-going long-term orders and one-off short-term orders exist for the outsourcing business and temporary staffing business of the Group, making it difficult to accurately grasp the order situation.

③ Actual sales results

The actual sales results by segments for the current consolidated accounting first quarter are as follows.

(Unit: Thousands of yen)

Business Segment	FY2011 1Q (April 1, 2010 – June 30, 2010)		FY2012 1Q (April 1, 2011 – June 30, 2011)	
	Amount	Share	Amount	Share
Outsourcing business	1,079,067	37.7	1,633,476	48.9
Temporary Staffing	1,780,180	62.3	1,704,721	51.1
Total	2,859,247	100.0	3,338,198	100.0

Note: Amounts do not include consumption tax.