



May 14, 2008

To whom it may concern:

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*Outline of Management Guidelines under the New Management Organization*

**The 'Goodwill Group, Inc. "Revival Plan 2012"'**

This is to inform you that we have formulated 'The Goodwill Group, Inc. "Revival Plan 2012"' in accordance with the document entitled "Framework for Management Guidelines under the New Management Organization" that was disclosed on May 9, 2008.

This is also to inform you that this document was sent by ordinary mail to shareholders as at March 31, 2008.

'The Goodwill Group, Inc. "Revival Plan 2012"' serves as the foundation for the medium-term business plan and operations plan that we are now in the process of formulating. These plans will be disclosed in a timely manner upon finalization.

End of document

[Attachment]

*Outline of Management Guidelines under the New Management Organization*  
**Formulation of the 'The Goodwill Group, Inc. "Revival Plan 2012"'**

This is to inform you that The Goodwill Group, Inc. has formulated a document entitled 'The Goodwill Group, Inc. "Revival Plan 2012"' ("GWG Revival Plan 2012" hereinafter) that outlines management guidelines under the new management organization through FYE June 2012.

**I. Outline of new management guidelines and the condition underlying the formulation of the "GWG Revival Plan 2012"**

The group finds itself in a very challenging business environment due to a combination of declines in the productive population, transfers of domestic manufacturing operations to overseas plants, and amendments to relevant laws and ordinances, including the Worker Referral Services Law. In addition, the group has also experienced a number of compliance issues, including guidance issued by the Ministry of Health, Labour and Welfare to subsidiary COMSN, Inc. and suspensions of operations and business improvement orders for Goodwill, Inc.

These events prompted the company to move to a new management system effective March 13, 2008. Under this new system, we have articulated a long-term vision for the group that is based on rigorous legal compliance and establishment of a solid position as a Japanese global player in the world human resources services market. Our goal is to achieve "a top-level earnings structure in the global human resources services market."

The "GWG Revival Plan 2012" is based on this long-term vision. We consider the four-year period to June 2012 to be a "second founding," a period in which we adapt to changing environments, overhaul our operational guidelines, grow our profits and more appropriately allocate our resources so that we build a base of operations conducive to stable growth over the medium and long terms. Our policies and programs divide the four years to 2012 into two different time frames.

Stage 1 covers the first year until June 2009 and focuses on the theme of "establishing unshakable trust." Its primary objective is to stabilize management and to begin resolving financial and compliance issues. To achieve our goal of establishing unshakable trust for the company among all of its stakeholders -- customers, shareholders, suppliers, employees -- we will be working as a group and as the largest referrer of full-time employees in Japan (\*1) to promote the upgrading of workers from short-term referrals to long-term employees and from long-term employees to full time, regular employees.

The base of operations established during Stage 1 will provide a foundation on which to build in Stage 2 that covers the 3 years through June 2012. Our theme during this period will be "creating an innovative business model and earning appropriate profits." We will rebuild our business model, develop and deploy a new lineup of services, expand the number of countries in which we operate and evolve into a global firm on par with other competitors in the world market.

\*1 Approximately 25,000 full-time employees, 20,000 long-term fixed-term employees, 22,000 short-term fixed-term employees/day -- total of approximately 67,000

## II. Preconditions for achievement of the new management guidelines

There are certain preconditions to the achievement of these new management guidelines, and among the most urgent is that of "financial restructuring."

As a result of past M&A deals and other fundraising, our consolidated financial metrics for FYE December 2007 show total interest-bearing debt of 165.5 billion yen, net interest-bearing debts of 107.5 billion yen, a debt-equity ratio of 8.6, a shareholders equity ratio of 6.3%, and interest payable and other financial expenditures for the first half of FYE June 2008 of approximately 4.5 billion yen, which is an excessive amount and underscores the frailty of our finances.

As announced in the March 11, 2008 press release entitled "Notice of Offering of Common and Preferred Stocks Through Third-Party Allotment," we have responded to this situation by seeking the cooperation of Promontoria Investments I B.V., a limited liability company established in the Netherlands by the Cerberus Group ("Cerberus" hereinafter), one of the largest investment funds in the United States, for the purpose of investments by a consortium comprised of Cerberus and affiliates of major US securities broker Morgan Stanley. This has resulted in a financial restructuring package for the company consisting of: (i) conversion to long-term (five-year repayment) of 79.5 billion yen in short-term borrowings (of which, 75.3 billion yen due on the final day of March 2008) and amendment of principal and interest repayment conditions (relaxation of the monthly repayment amount to 500-1,000 million yen); (ii) 4.5 billion yen capital increase in the form of a third-party allotment to be paid in on April 25, 2008; and (iii) capitalization of 15.5 billion yen in borrowings with the issue of Class A preferred shares with an anticipated pay-in date of December 25, 2008. These measures are expected to reduce the company's total consolidated interest-bearing debt to less than 100 billion yen.

As a result of this financial restructuring, sales of assets and further reductions in interest-bearing debt, the Management Guidelines under the New Management Organization target a debt-equity ratio of less than 1.0 and a shareholders equity ratio in excess of 30.0%. The achievement of these targets will help to stabilize the company's financial position.

## III. Basic policies for achievement of the new management guidelines

We have formulated the five basic policies below in order to ensure the achievement of the financial restructuring that is a precondition for achievement of the new management guideline.

- 1) Establishment of permanent, ongoing compliance system and enhancement of CSR
- 2) Fundamental overhaul of head office organizations and substantial reduction in sales and administrative expenses
- 3) Maximization of employee satisfaction and support for skill improvements
- 4) Innovation in and appropriate profits from core domestic operations
- 5) Expansion of international operations to establish a new base of earnings

### 1) Establishment of permanent, ongoing compliance system and enhancement of CSR

In Japan, the core operations of the group are human resources services, which are governed by the Law to Ensure Appropriate Administration of Worker Referral Services and Enhance etc. the Terms of Labor for Referred Workers ("Worker

Referral Services Law" hereinafter) and a number of other laws, ordinances and regulations. To ensure full adherence to these statutes, we have expanded and enhanced the Compliance Office so that it will operate a Group Compliance Meeting, formulate compliance training programs, implement controls on company legal compliance and adaptation to statutory amendments, seek external certification and develop collaborative partnerships with lawyers and other outside professionals who are versed in labor law to engage in more rigorous management of our worker referral and subcontracting services. We will maintain and strengthen these efforts in the future.

More specifically, the existing Compliance Department has been joined by a new "Contract Management Department " and "Risk Management Department ", and within the Compliance Department we have strengthened the organization and staffing with the establishment of a new "Standards and Regulations Management Section", "Ukeoi Management Section ", "ISO Section " and "Security and Health Section "We have also increased staffing in the Internal Audit Office that reports directly to the representative director and strengthened internal auditing functions, including regular visual inspection of referral sites.

To ensure the accuracy of figures in financial statements in accordance with the new Financial Instruments and Exchange Law (also known as the "J-SOX Law") that will enter into application with the new accounting year beginning during or after April 2008, we established a "J-SOX Office" in January 2008 and are continuing to enhance it.

In addition to compliance-related efforts to earn the trust of our stakeholders, we have also taken a proactive approach to corporate social responsibility (CSR) in recognition of the crucial role that it plays from a social perspective in increasing the group's corporate value. In these activities, we are tapping our strengths in "employment" and "skill improvement," and we are also developing CSR programs for new businesses and projects to further enhance our corporate value.

## **2) Fundamental overhaul of head office organizations and substantial reduction in sales and administrative expenses**

We will conduct a fundamental overhaul of head office functions in group companies, reduce our sales and administrative expenses and improve the overall efficiency of our operations. By June 2009 we will effectively consolidate such processes in the head office accounting, legal affairs, asset management and financial etc. sections as can be consolidated from the perspective of process control so as to achieve efficiency gains in head office operations. By June 2010 we will seek to achieve further cost savings by delegating routine work in particular to a Business Process Outsourcing (BPO) Center operated by a group subsidiary overseas.

We will also begin in April 2008 to deploy to domestic group companies the "SiGMA Systems," our new computer system that went into development in April 2007. By collecting together ( $\Sigma$ : SiGMA) the expertise that the group has accumulated, we will achieve more greater efficiency in recruiting, assignment and other location-level processes as well as sophisticated, automated matching based on a 4-level 900-item table of skills, experiences and qualifications. These programs will improve satisfaction for employees and customers alike. The real-time management functions offered by the system will also help us to make timely improvements in our business model by providing instantaneous access to information on the group's locations and assignment sites.

These and other programs to exploit the group's scale merits and reduce costs will achieve significant savings in sales and administrative expenses by FYE June 2012.



### 3) **Maximization of employee satisfaction and support for skill improvements**

As the country's productive population declines, all Japanese companies, not just those in human resources services, have come to see the recruiting of skilled, motivated employees as one of their most important challenges. The group has designated FYE June 2009 as "Employee Satisfaction Improvement Year" and will be enacting further policies and programs to this end.

The group is involved in a wide range of business activities that encompass such diverse fields as engineer referrals for mechanical design/development, biotech and chemical research, software development and production technology etc.; as well as referrals to manufacturing, light manufacturing, general clerical and professional positions. Group companies are able to make use of each other's internal and external training programs and E-Learning systems. As a group, we are confident in our ability to provide the broad training and experience required to improve employee skills.

As we move forward, we plan to improve functionality of our recruiting website as well as SkillBank.com, our group employee skill checking system. At the current point in time, SkillBank.com enables users to register their skills and work histories, calculate the gap between where they are and where they want to be and receive suggestions on the training and experience they require. This provides support for the mastery of high levels of skill so that employees are able to make the transition from short-term fixed-term positions to full-time positions and from general clerical positions to professional etc. positions.



### 4) **Innovation in and appropriate profits from core domestic operations**

The domestic human resources business is said to lag other industries in its pace of innovation. The Goodwill Group will be developing a new lineup of services that will spark greater innovation in this sector. At the same time, we have also created a task force to address the four issues below and enable us to earn appropriate profits from our business segments.

#### 1 **Increase customer convenience by combining human resources referrals with other ancillary services**

Group companies focus primarily on human resources services, providing a wide range of staffing that extends from general clerical to advanced technical positions. Given the declines in Japan's productive population, we believe that an important component in expanding the group's domestic revenues will be our ability to provide other added value services.

We are now in the process of developing a menu of such services that will draw upon our existing human resources services and expertise, equipment, training programs and systems. For example, a subsidiary Premiere-Line, Inc. already

operates two outsourced development plants where it provides comprehensive, integrated services for systems deployment support and operator referrals.

## 2 Creation of more advanced skills matching systems for engineer referrals

Engineer referrals are a core segment that accounts for approximately 35% of the group's domestic revenues. There is a global shortage of engineers and the speed of technological advance is extremely fast in the manufacturing sector, producing significant, ongoing needs in this market. We have adopted an aggressive expansionary strategy for this segment and believe that we are capable of providing human resources support in the form of engineers and technicians who are versed in Japanese-style "monozukuri," the techniques and attitudes developed in the domestic Japanese manufacturing sector that continue to exert a strong influence on global markets.

Our new "SiGMA Systems" core system provides sophisticated skill matching, and we have also developed engineer training programs that are laid out systematically by job description and skill requirements, which are combined with a skill-linked wage system and access to career design advisors (CDA) so that we are able to accurately monitor the skills of our engineers and quickly provide customers with the engineering personnel that they require. We will also make aggressive upfront investments in programs and measures to recruit engineers and improve their skills.

Engineering human resources services ranked by sales (domestic)		
1	Goodwill Group (7 engineering companies)	135.6 billion yen
2	Meitec Corp.	82.2 billion yen
3	Forum Engineering, Inc.	35.9 billion yen
4	Altech Corp.	22.4 billion yen
5	WDB Co., Ltd.	18.2 billion yen
6	VSN, Inc.	17.5 billion yen
7	Pasona Tech, Inc.	10.4 billion yen
8	Japan Tecseed, Inc.	10 billion yen
9	World Intec Co., Ltd.	8.6 billion yen
10	Fullcast Technology Co. Ltd.	8.6 billion yen

(Source: Goodwill Group research, based on corporate securities reports, annual reports etc.)

(For the Goodwill Group, forecasts used for FYE June 2008)

### 3 Subcontracting and referral services adapted to the "2009 problem" in manufacturing referrals

The Worker Referral Services Law defines a maximum referral period for positions in the manufacturing segment, which was extended for a further 3 years in FY 2006. This resulted in an excess of changeovers from traditional subcontracting arrangements to referral arrangements, and as a consequence large numbers of manufacturers will all find themselves in potential contravention of the law during FY 2009, a phenomenon that has been dubbed the "2009 problem." Many manufacturers are now moving forward with programs to switch from referral arrangements to either direct employment or subcontracting. The size of the market is also anticipated to decline as manufacturers move their production facilities overseas.

The results can already be seen in the group's performance. Referrals to the manufacturing segment accounted for 27% of domestic revenues in FYE June 2007, but are forecast to bring in only about 15% during FYE June 2008. Nonetheless, we continue to view manufacturing as an important business segment for the group and will be working in close corporation with manufacturers to resolve the "2009 problem." We are also expanding our strategy beyond the domestic Japanese market and providing more globally-oriented services, for example, staffing support in host countries for manufacturing operations transferred overseas.

In response to the 2009 problem, subsidiary Premiere-Line, Inc. has worked with legal counsel and other outside experts to formulate its own, original "Appropriate Subcontracting Standards" that cover 216 items in 9 categories. These standards, which were completed a year ago in April 2007, are based on Ministry of Labor Notice No. 37 and the June 29, 2007 Ministry of Health, Labour and Welfare notice "Guidelines on Measures to be Taken by Subcontractors to Promote Improvement and Normalization of Employment Management in Manufacturing Subcontracting Services." Premiere-Line continues to work closely with manufacturers to promote appropriate subcontracting. We are also responding to manufacturers' direct employment needs by providing temporary referrals with the potential for subsequent full time employment.

Manufacturing human resources services ranked by sales (domestic)		
1	Nikken Sogyo Co., Ltd.	151.3 billion yen
2	Nisso Corp.	91.9 billion yen
3	Goodwill Group (2 manufacturing companies)	60.9 billion yen
4	TechnoService	45 billion yen
5	Takagi Kogyo Co., Ltd.	43.7 billion yen
6	Fujiwork Co., Ltd.	39.5 billion yen
7	I Line, Corp.	38.5 billion yen
8	Keitem Co., Ltd.	35.5 billion yen
9	World Intec Co., Ltd.	29.9 billion yen
10	Nihon Aim Co., Ltd.	23 billion yen

(Source: Goodwill Group research, based on corporate securities reports, annual reports etc.)

(For the Goodwill Group, forecasts used for FYE June 2008)

**4 In office staffing services, import to Japan the long-established UK brands of "Crone Corkill" and "FSS," who are members of the group**

Office staffing services account for approximately 5% of the group's domestic revenues, and we have an estimated market share of 1-2%, making this a much smaller segment for us than others.

We will nonetheless be seeking to expand our share in this segment by drawing on the "Crone Corkill" and "FSS" brands owned by our UK subsidiary GW Professional UK Ltd., and also by making use of the expertise in professional staffing services held by Advantage Human Resourcing, Inc., a USA subsidiary that specializes in referrals of accountants and secretaries etc.

**5) Expansion of international operations to establish a new base of earnings**

The global human resources referral market continues to see steady expansion. In 2001, Germany relaxed regulations on new entry; in 2005, France lifted its ban on collaboration between temporary staffing agencies and job referral agencies. These deregulatory measures have increased the number of human resources services companies and encouraged the growth of temporary staffing markets, and they are seen as creating new employment opportunities.

The Goodwill group ranks 5th in the global human resources services market in terms of revenues (as at June 2007), but it still only operates in a mere six countries, far fewer than its competition. We therefore see growth opportunities from the expanding global market.

For FYE June 2008, we estimate that approximately 30% of the group's consolidated revenues will come from overseas: approximately 125 billion yen from the US; approximately 40 billion yen from the UK; and approximately 500 million yen from Asia (excluding Japan), for a total of approximately 165.5 billion yen in international revenues. By FYE June 2012, we want to expand our operations to a total of 10 countries and look for them to produce 40% of our consolidated revenues.

Global human resources services market ranked by sales				
1	Adecco	Switzerland	3,062.6 billion yen	65 countries
2	Randstad + Vedior	The Netherlands	2,376.9 billion yen	51 countries
3	Manpower	USA	2,019.7 billion yen	73 countries
4	Kelly Services	USA	644.7 billion yen	30 countries
5	Goodwill Group	Japan	570.0 billion yen	6 countries
6	USG	The Netherlands	530.5 billion yen	11 countries
7	Robert Half	USA	461.9 billion yen	22 countries
8	Hays	UK	401.9 billion yen	20 countries
9	Volt	USA	268.9 billion yen	5 countries

(Source: Created by the Goodwill Group based on corporate securities reports, annual reports etc.)

(For the Goodwill Group, forecasts used for FYE June 2008)

#### **IV. To our stakeholders**

The Goodwill Group is committed to faithfully implementing "GWG Revival Plan 2012," our management guidelines under the new management organization, and we look forward to speedy improvements in our financial position, sustained development of our operations and increases in shareholder value.

"GWG Revival Plan 2012" is an outline of management guidelines under the new management organization and serves as the foundation for the medium-term business plan and operations plan that we are now in the process of formulating. These plans will be disclosed in a timely manner upon finalization.

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*The plans and forecasts etc. noted in this document are based on the best available information as at the time of writing, but do contain certain risks and uncertainties.*

*We therefore strongly recommend that you do not base decisions entirely upon these results forecasts. You should be aware that actual results may vary significantly from forecasts for a wide variety of reasons.*