



May 21, 2008

To whom it may concern:

Company: The Goodwill Group, Inc.  
Representative: Shinichi Horii  
Representative Director and President  
(Code No. 4723 TSE 1st Section)  
Contact: Tomoyuki Maeda  
General Manager  
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**Response to Advance Questions from United Technology Holdings Co., Ltd.  
Regarding the Extraordinary General Meeting of Shareholders**

On May 20, the company received a document entitled "Questions Regarding the Extraordinary General Meeting of Shareholders of The Goodwill Group, Inc." from its largest shareholder, United Technology Holdings Co., Ltd. ("UT" hereinafter) seeking information on which to base its acceptance or rejection of Agenda Item 1 ("Partial Amendment of the Articles of Incorporation") and Agenda Item 2 ("Issuing of Equity to be Placed as a Third-Party Allotment") to be submitted as company proposals to the Extraordinary General Meeting of Shareholders scheduled to be convened on May 23, 2008.

This is to inform you of the response to those questions, which may serve as a reference for other shareholders in the exercise of voting rights. Responses will be found in the attachment to this document.

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**Attachment**

Yoichi Wakayama, President and CEO  
United Technology Holdings Co., Ltd.

Shinichi Horii, President and Representative Director  
The Goodwill Group, Inc.

**Response to Questions**

Dear Sirs,

Allow us to express our best wishes for your continued prosperity and happiness, and to thank you for your patronage and support.

Please find below our responses to "Questions Regarding the Extraordinary General Meeting of Shareholders of The Goodwill Group, Inc.," which was received from you on May 20, 2008.

Would note that the financial restructuring package, including Agenda Item 1 and Agenda Item 2 that are to be submitted as company proposals to the Extraordinary General Meeting of Shareholders scheduled to be convened on May 23, 2008 (the package to be referred to as the "financial restructuring" hereinafter) is designed to alleviate the financial distress that the company has experienced since the end of last year and is based on the assumption of restoring the company's base of operations, which was injured through repeated scandal. Our correspondent financial institutions are also watching for the certainty of the execution of the financial restructuring. Therefore, in the event that the above proposals are rejected, as noted in the response to Question 2, there is the potential for deterioration in our cash flow and for financial institutions to adopt a more cautious stance with respect to the company. On the assumption that our share price is formed so as to discount the achievement of the financial restructuring, there is therefore the potential for a significant decline in our share price and, as a result, substantial injury to our shareholders' value.

We hope that you understand the need for this financial restructuring and, from the perspective of maintaining and improving our corporate value and shareholders' value, urge you to vote in favor of Agenda Item 1 and Agenda Item 2 so that we are able to issue Class A preferred shares.

Sincerely,

## Details

### [Question]

1. Rationality of equitization (DES) of 15.5 billion yen in debt

(1) The potential for debt forgiveness from Promontoria

The DES through the issue of Class A preferred shares proposed by the company as a means of financial restructuring will result in a substantial dilution of shares and asks the existing shareholders to accept disadvantageous treatment.

However, we believe that study should be given to ways of minimizing the burdens on shareholders from the financial restructuring and that the first step should be to study debt forgiveness from Promontoria Investments I B.V. ("Promontoria" hereinafter), the company's largest creditor and the assignee of the Class A preferred shares, so as to minimize the amount of debt subject to the DES.

On this point, we have received information from relevant parties that the company's previous representative and the current adviser to GW Premier America, Inc., Mr. Masahiro Origuchi, and Origuchi Soken YK ("Origuchi Soken" hereinafter) have received 22 billion yen in debt forgiveness. If debt forgiveness was indeed allowed for Mr. Masahiro Origuchi and Origuchi Soken, it would seem to be fully possible for the company to receive similar debt forgiveness.

Have you negotiated this kind of debt forgiveness with Promontoria so far? If you have, please explain the course of negotiations and their outcome.

### [Response]

The company reached an agreement on the entire financial restructuring package as a result of repeated negotiations with Promontoria Investments I B.V. ("Promontoria" hereinafter), including negotiations for debt forgiveness.

We have not received debt forgiveness because our shareholders' equity was approximately 19.4 billion yen as at the end of December 2007 and we are therefore not in an insolvency, but we have reached an agreement with Promontoria to expand to 5 years the repayment period for the 79.5 billion yen in borrowings from Promontoria, including 75.3 billion yen with a repayment deadline of March 2008, and have capped the monthly repayment amount at 500 million yen for the first 2 years, gradually ramping up to 1 billion yen thereafter, with the balance to be repaid in full on the deadline.

In light of the financial position and business environment in which the company found itself at the time, this will have the effect of significantly improving our financial position. The financial restructuring is a package of three measures: in addition to the (i) relaxation of the terms of borrowing and repayment, there will also be (ii) a capital increase by third-party allotment of 4.5 billion yen in common stock to be paid in on April 25, 2008, and (iii) capitalization of 15.5 billion yen in debt through the issue of Class A preferred shares, which is to be deliberated in the Extraordinary General Meeting of Shareholders scheduled for May 23, 2008. This will achieve the extension of the debt, a reduction in borrowings through a DES and a total capital increase of 20 billion yen. The purpose of these measures is to stabilize our financial base.

With respect to the question of whether the company's previous representative, Mr. Origuchi or his asset management company, Origuchi Soken YK, received some form of debt forgiveness, please be advised that this question concerns a shareholder in the company and the company is not in a position to know this information.

**[Question]**

(2) Potential to reduce debt by holding executives accountable

The company is forced into financial restructuring as a result of improper invoicing in its nursing care business, double referrals and other violations of the Worker Referral Law in its worker referral business, and other serious breaches of compliance that had a significant, negative impact on its results, and the representative at the time, Mr. Masahiro Origuchi, and other members of the former management team should bear the responsibility therefor.

Rather than asking existing shareholders to accept disadvantageous treatment in the form of a DES through the issue of Class A preferred shares that will result in a substantial dilution of shares, the company should first study holding Mr. Masahiro Origuchi and the former management team accountable and repaying obligations from personal assets furnished by Mr. Masahiro Origuchi and former management team.

Prior to studying the equitization of 15.5 billion yen (DES), it would appear that the company needs to hold Mr. Masahiro Origuchi and Origuchi Soken accountable by causing them to sell assets, including their shares in The Goodwill Group. Have you taken these actions? If you have taken such actions, please provide the specific details and status of these actions. If you have not, please explain the reasons why you have not.

**[Response]**

With respect to the repeated scandals experienced by the group, the representative at the time, Mr. Masahiro Origuchi, and the other members of the former management team do indeed bear large management responsibilities. Mr. Masahiro Origuchi took responsibility and resigned from executive positions at all group companies. In addition, Mr. Masahiro Origuchi is paid no executive severance benefits with respect to his resignations.

On the other hand, investigations to date have concluded that, in the opinion of the company, Mr. Masahiro Origuchi and other members of the former management team did not engage in illegal actions and do not bear legal responsibility above and beyond their social responsibility, and we cannot therefore seek compensation for damages from the former management team.

It is our understanding that all of Mr. Origuchi's personal assets, including shares in the company, have been pledged as collateral and it would as a practical matter be difficult to reduce the company's debt by receiving the personal assets of Mr. Origuchi.

With respect to the burdens incurred by shareholders as a result of the financial restructuring, we believe that the best, and indeed the only, way to recover is for the company to formulate a new growth strategy for its businesses and to work to improve its corporate value and shareholders' value. We, the executives and the employees, want to work together to make progress towards a rebuilding of our businesses. We hope for your understanding and support in this matter.

**[Question]**

(3) Potential to reduce debt by using funds on hand

According to the semiannual report, the company has cash and cash equivalents of 59.6 billion yen,<sup>1</sup> and it would seem that the company should study the potential for giving priority allocation of these funds to repayment. Has all or any part of this money in fact been allocated for repayment? If you have allocated funds for repayment, please provide amounts and rationale for those amounts. If you have not, please explain the reasons why you have not.

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<sup>1</sup> 59.6 billion yen refers to the figure as at the end of June 2007.

**[Response]**

As you note, the company has been using its funds on hand to reduce its debt since the end of last year.

More specifically, between the end of December 2007 and the end of March 2008, some 32.9 billion yen was allocated to the repayment of borrowings which resulted in a reduction of the Group's consolidated balance of cash and deposits to approximately 27.1 billion yen (preliminary figure as of this writing) as at the end of the 3rd quarter of FYE June 2008 (end of March 2008) compared to 58 billion yen as at the end of the interim period for FYE June 2008 (end of December 2007).

Note that the amount of debt repaid represents the actual repayment made between January 1, 2008 and the end of March 2008 while the balance of cash and deposits represents the consolidated forecast for the group as at the end of March.

**[Question]**

2. Acquisition price for common stock under the acquisition rights attached to the preferred shares

Attached to the Class A preferred shares are acquisition rights for which common stock is the countervalue, and the initial acquisition price for those acquisition rights is 9,000 yen.

In a press release dated March 11, 2008, you explain the rationale for this price as being the same as for the issue price of common stock approved on April 25 in that it was determined with reference to an average closing price for the company's shares on the Tokyo Stock Exchange for the two-month period prior to the trading day immediately preceding the resolution of the Board of Directors to issue such shares (i.e., for the period from January 11, 2008 to March 10, 2008), and that this was done in light of the business environment and results of the company, having withdrawn from the nursing care and allied businesses of subsidiary COMSN etc. and having been subject to administrative action for violations of the Worker Referral Law by subsidiary Goodwill.

However, the closing price on the day prior to the resolution of the Board of Directors to issue shares was 23,400 yen, and the acquisition price is 38% of that amount, which is an extremely low figure. In addition, a study of the company's average closing share price is for periods of between one and six months, in one-month intervals, shows that the average closing price for the two-month period is the only one that is significantly lower than the rest, as will be seen from the table below.

Period	Start	Average closing price	9,000 yen/Average closing price
1 day	March 10	23,400 yen	0.3846
1 month	February 12	12,566 yen	0.7192
2 months	January 11	9,813 yen	0.9171
3 months	December 11	12,825 yen	0.7017
4 months	November 12	16,168 yen	0.5566
5 months	October 11	17,759 yen	0.5067
6 months	September 11	17,650 yen	0.5099

In addition, the policy of withdrawing from nursing care and allied businesses was determined in July 2007 and it was announced on December 3 that the assignment of COMSN operations had been completed, while subsidiary Goodwill received notice of the administrative action on December 22, 2007, with an announcement of downwards revisions to the company's FYE June 2008 results and dividends coming on the 25th. It is therefore difficult to argue that the rationale for setting a period of two months has been fully explained.

From the above, we must interpret the issue of Class A preferred shares with acquisition rights to common stock at an initial acquisition price of 9,000 yen to injure the value of shares held by existing shareholders and to benefit Promontoria by a commensurate amount. Please describe your rationale for issuing preferred shares with acquisition rights at this kind of acquisition price and the impact that you perceive on the value of shares held by existing shareholders through the issue of these preferred shares. In addition, please disclose any valuations etc. you may have obtained from third parties with respect to the preferred shares.

**[Response]**

The terms of issue for the Class A preferred shares, including the price of the acquisition rights for common stock, were arrived at through repeated negotiations with Promontoria under the advice of a team of outside professionals and are part of an agreement on the overall package that comprises the financial restructuring. We do not, therefore, believe it is appropriate to extract only the initial acquisition price (the price per share for conversion to common stock) to determine whether the terms of issue are rational.

As you note, attached to the Class A preferred shares are acquisition rights for which common stock is the countervalue, and the initial acquisition price for those acquisition rights is 9,000 yen. This price was arrived at from the average closing price of the company's shares on the Tokyo Stock Exchange for a period of two months prior to March 11, 2008, the date on which the Board of Directors resolved in favor of the capital increase by third-party allotment to Promontoria (i.e., the period from January 11, 2008 to March 10, 2008), multiplied by a discount rate of 8.3%.

Even if one were to focus only on the initial acquisition price, the approach to determining this price was the same approach used to determine the issuing price for the common stock in the company that was paid in on April 25, 2008 and is in conformance with the rules stipulated by the Japan Security Dealers Association. Behind the adoption of these rules for determining the issuing price was the significant volatility in the share price of common stock in the company between December 25, 2007 and March 10, 2008, when a large volume of shares traded. In our judgment, these prices did not constitute a normal expression of the company's shareholders' value, so rather than adopt as the issuing price a share price at a specific point in time, we concluded it to be more appropriate to adopt as our standard the average closing price for common stock in the company over a designated period in time. It was therefore resolved to issue common stock in the company at 9,000 yen per share on March 11, 2008 based on the average share price for the period after January 11, 2008 in which the operations suspension order and operations improvement order were received from the Tokyo Labor Bureau by subsidiary Goodwill, Inc.

Prior to implementation of the financial restructuring, we obtained a valuation report for our shareholders equity from IRB Corp., a third-party institution. As an overall valuation, the report provided a minimum value of 4,139 yen and a maximum value of 13,020 yen, with a mean/average value of 8,253 yen. We also received opinion statements from Professor Yasuhito Hanado and Professor Shigeru Nishiyama of the Graduate School of Commerce at Waseda University regarding the rationality of this valuation. Having taken account of the third-party valuation described above, we referred to the average price for the two-month period prior to March 11, 2008, multiplied it by a discount rate of 8.3% and arrived at an issuing price of 9,000 yen for common stock, which we determine to be reasonable. Furthermore, we received a legal opinion that the issuing of common stock at an issue price of 9,000 yen would not constitute issuing at advantageous terms, which paved the way for the successful conclusion of the payment on April 25, 2008.

The 9,000 yen initial acquisition price for the acquisition rights attached to the Class A preferred shares was determined on the basis of the same rationale as the issuing price for the common stock

described above, and we do not believe that it is significantly disadvantageous to existing shareholders.

The issuing of Class A preferred shares as proposed will result in the dilution of shares, but implementation of the financial restructuring will enable the company to build a stable financial base that, we believe, will result in improvements to our corporate value and shareholders' value. In other words, while there will be dilution of voting rights, we believe that there will either not be an economic dilution at the time of issue, or that if such occurs, it can be fully absorbed. As already disclosed in the semiannual report for FYE December 2007, if the resolution to issue Class A preferred shares is not approved in the Extraordinary General Meeting of Shareholders scheduled to be convened on May 23, 2008, the contracted repayment amount of 500 million yen per month that is part of the financial restructuring package agreement will rise to 1.5 billion yen per month, which will represent a significant negative impact on the cash flow of the company as it endeavors to restore its operations (see reference materials). Our correspondent financial institutions are extremely interested, from the perspective of continuing transactions with the company, in whether the issue of Class A preferred shares, which will contribute to the improvement of our financial metrics, will go forward as planned. Therefore, in the event that proposals to enable the issue of Class A preferred shares are rejected, there is the potential for deterioration in our cash flow and for financial institutions to adopt a more cautious stance with respect to the company. On the assumption that our share price is formed so as to discount the achievement of the financial restructuring, there is therefore the potential for a significant decline in our share price.

Further with respect to the financial restructuring, including the issue of Class A preferred shares, we received on May 20, 2008 an Interim Report from a Special Committee comprised of outside experts and serving as a third-party institution concluding: "in light of the financial status and the business environment in which it finds itself, [the committee] considers implementation of the financial restructuring to be a rational (unavoidable) choice for the pursuit of a corporate strategy of restructuring through a process of concentration and selection, and therefore seeks approval of the proposals for the financial restructuring found in Extraordinary General Meeting of Shareholders and Agenda Item 1."

**[Question]**

3. Fairness etc. of placement decision for Class A preferred shares to be issued through third-party allotment

The Large-Scale Holdings Report submitted by Promontoria on May 1, 2008 indicates an agreement for joint exercise of voting rights among Promontoria, Mr. Masahiro Origuchi and Origuchi Soken. We have also been informed by related parties that in the future Mr. Masahiro Origuchi and Origuchi Soken will have priority rights to negotiate purchase of your shares acquired and held by Promontoria. Is this factual? If it is indeed factual, the beneficiaries of this issue of preferred shares would include not only Promontoria, but Mr. Masahiro Origuchi and Origuchi Soken as well.

The combined voting rights of Promontoria, Mr. Masahiro Origuchi and Origuchi Soken total approximately 40%, and the issue of preferred shares would result in the beneficiaries holding a majority of voting rights at general meetings of shareholders, which must be interpreted as raising questions regarding the fairness of resolutions taken at such meetings.

On the assumption of the agreement previously noted, there is also the potential for Mr. Masahiro Origuchi and Origuchi Soken to acquire the large volumes of common stock that would be issued as a result of any future conversion of preferred shares. In such cases, there would be doubts regarding the effectiveness of the rigorous compliance that has been indicated in your "The Goodwill Group, Inc. "Revival Plan 2012."

In light of the above, we believe that, from the perspective of ensuring the fairness of resolutions at general meetings of shareholders, and from the perspective of the rigorous compliance that the company seeks to achieve, any agreements among Promontoria, Mr. Masahiro Origuchi and Origuchi Soken regarding priority negotiation rights for the purchase of shares should be dissolved. We would like you to explain your thinking on this point.

**[Response]**

Below are the matters noted in the Large-Scale Holdings Report submitted by Promontoria on May 1, 2008. Without modification, it reads: "the submitter received 493,387 shares from joint owners Origuchi Soken YK and Mr. Masahiro Origuchi ("Origuchi Soken etc." hereinafter) on March 11, 2008 and 36,000 shares from Mr. Masahiro Origuchi on the 28th as security against borrowings, and in addition on the 11th entered into an agreement with Origuchi Soken etc. stipulating: (i) exercise by Origuchi Soken etc. of votes in favor of the proposed nomination of new director(s) and amendments etc. to the Articles of Incorporation in the General Meeting of Shareholders of the issuer scheduled for the end of May 2008; (ii) prior approval of the submitter regarding the exercise of the voting rights of Origuchi Soken etc. in subsequent general meetings of shareholders of the issuer; and (iii) preemptive purchase rights under certain conditions."

The company is not in a position to know of the content of the agreement between Promontoria, Origuchi Soken or any other of its shareholders, and has only the information noted above.

However, as previously explained, the financial restructuring is the only means for resolving the financial distress that the company currently faces, a Special Committee comprised of lawyers, certified public accountants and other outside experts has conducted a careful study of its legality and rationality and this committee confirmed that it is both reasonable and necessary, and judged it to be without problem. This fact is not influenced by any agreements that may or may not exist among third parties.

Our legal counsel has also confirmed that the exercise of voting rights by the company's shareholders Promontoria, Mr. Masahiro Origuchi and Origuchi Soken YK with respect to Agenda Item 1 and Agenda Item 2 at the coming Extraordinary General Meeting of Shareholders is legal.

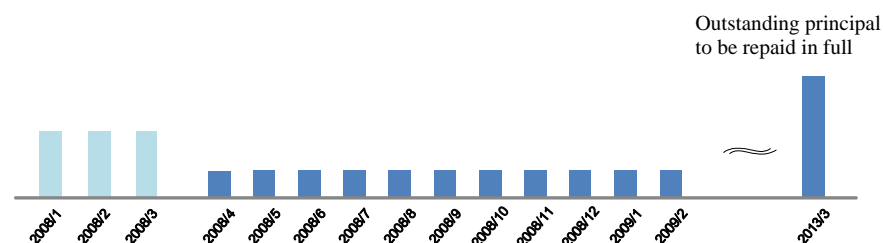
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**Reference materials: Conceptual diagram of changes in the repayment of principal on borrowings as a result of the financial restructuring**

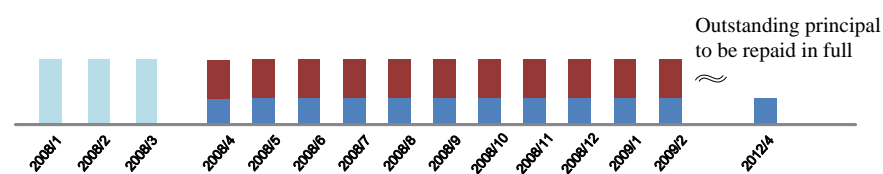
As at February 2008 (prior to implementation of the financial restructuring)



If the issue of Class A preferred shares is **APPROVED**



If the issue of Class A preferred shares is **REJECTED**



In the event that the issue of Class A preferred shares is not passed, the total principal on borrowings to be repaid by the group will increase by 15.5 billion yen, the monthly repayment of principle will increase to 1.5 billion yen, and over just a two-year period, the company's financial cash flows will deteriorate by a total of 24 billion yen.