

## 1. Business Results

### (1) Analysis of business results

#### 1 Overview of this consolidated accounting period

Before reporting the outline of business results for this year, we would like to explain the series of events that resulted in the closure of subsidiary Goodwill, Inc.

On January 11, 2008, Goodwill, Inc. was issued a worker referral services suspension order covering two months of labor referral services at all locations and four months at 67 locations and worker referral services improvement order by the Tokyo Labour Bureau. These measures were effective January 18 and were due to violations of the "Law to Ensure Appropriate Administration of Worker Referral Services and Enhance etc. the Terms of Labor for Referred Workers" ("Worker Referrals Law" hereinafter).

Goodwill, Inc. took these administrative actions extremely seriously and endeavored to make the required improvements. However, these events also occurred as the group was investigating and rethinking the future positioning of day-worker referral businesses within its overall operations. In addition, after the suspension of operations by the Tokyo Labour Bureau, the company's operating revenues were slower than expected to recover, leading to a consistently precarious financial position that forced the group to study the potential for assigning Goodwill, Inc. to another operator or for drastically reducing the scale of its operations.

We therefore entered into negotiations with several companies seeking to purchase the operations of Goodwill, Inc., but were unable to reach agreement due to candidates' desire to carefully study the subsidiary's performance after the lifting of the suspension. It was within this context that employees of Goodwill, Inc. were arrested on June 3, causing candidate purchasers to break off negotiations until such time as criminal penalties and administrative actions had been finalized in the case. On June 24, summary orders were issued against the employees and they paid a fine that same day. The actions of the employees were related to "company business," and the principle of punishing both the company and the employees was applied. A summary order was issued against subsidiary Goodwill, Inc. and it also paid a fine. This, however, increased the likelihood that Goodwill, Inc.'s license to conduct paid job placement and general worker referral services would be revoked.

The circumstances forced us to conclude that there was in fact no potential for either the continued operation or the sale of Goodwill, Inc., and it was therefore resolved to discontinue all operations.

We wish to express our deepest apologies to our shareholders, business partners and all others affiliated with the company for the anxiety and pain this caused.

We would now like to turn to an overview of business operations for this consolidated accounting period.

There was growing concern over the outlook for the Japanese economy during this consolidated accounting period due to skyrocketing oil prices and distress in financial markets triggered by the subprime lending problems in the United States. Employment conditions continued to see labor in tight supply and companies reporting staffing shortages, but the worker referral business also entered a new phase as discussions began about improving the treatment of non-regular employees and amending the Worker Referrals Law.

The group responded to this environment by concentrating its management resources on engineering and manufacturing referral services and working to improve employee satisfaction, stabilize employment and promote full-time hiring. These efforts enabled us to continue to grow as the largest referrer of full-time employees in Japan.

The company has achieved a steady expansion in the scale of its operations thanks to integration of its human resources services with the domestic and international services of Goodwill Premier, Inc. ("Premier Group" hereinafter), which it acquired. In our core human resources services business, the October 2006 addition of human resources and outsourcing companies of the Premier Group as subsidiaries was reflected for the first time in 12 full months of consolidated results and contributed greatly to this term's consolidated performance. Nonetheless, the group experienced a substantial decline in earnings due to the actions taken against Goodwill, Inc. by the Tokyo Labour Bureau. Operations of this company were discontinued on the final day of July 2008.

Furthermore, current revenues from the nursing and health care support business show a significant decline due to the conclusion of the assignment of operations previously conducted by COMSN, Inc. and other subsidiaries and affiliates in the group involved in nursing care businesses.

As a result of the events described above, consolidated figures include 12 months from the Premier Group but also substantial declines from the discontinuation of Goodwill, Inc. and withdraw from the nursing care business. Revenues for the year increased by 75,321 million yen compared to previous consolidated accounting period to reach 584,322 million yen.

However, on the earnings side, the deterioration in the performance of Goodwill, Inc. resulted in a recurring loss of 12,702 million yen. While the assignment of COMSN, Inc. and other nursing care business and affiliated operations within the group resulted in an extraordinary profit, the closure of Goodwill, Inc. and resulting losses and impairments produced a net loss of 27,416 million yen.

\* Consolidated net loss

The net loss improved by 13,291 million yen compared to the previous consolidated accounting period, coming in at 27,416 million yen. Below is a breakdown of the extraordinary profit or loss and corporate tax etc. for this consolidated accounting period.

<Breakdown>

Details	Amount Amount (unit million yen)
Recurring profits	-12,702
Profit on sale of nursing care business	18,033
Extraordinary losses from the nursing care business	-2,382
Impairment of Barrington House Baji Koen and Kichijoji	-5,908
Loss on closing of locations	-689
Other extraordinary profit or loss	-3,489
Loss on the closure of Goodwill, Inc.	-15,993
Net profits before adjustment for tax etc.	-23,130
Corporate tax etc. and minority shareholder gains or losses	-4,285
Net income	-27,416

\* Depreciation of goodwill

Increased 429 million yen from the same period last year to reach 3,384 million yen.

<Breakdown>

Depreciation of goodwill	Goodwill Premier domestic	1,693 million yen
	Goodwill Premier international	1,018 million yen
	Others	671 million yen

\* Factors in the increase in interest payable

Increased 2,867 million yen from the same period last year to reach 5,999 million yen.

The primary factor was an increase in interest payments in conjunction with the increase in borrowings.

Below is an overview of operations by business segment.

***(Human resources and outsourcing services)***

Human resources and outsourcing services account for 94% of the group's revenues, and the performance of this segment was significantly improved due to the inclusion of 12 months of results from Premier Group in consolidated figures (compared to 6 months in the previous consolidated accounting period). The Premier Group has wide-ranging domestic and foreign operations in engineering, manufacturing, clerical and other worker referral services.

We anticipate increases in the demand for engineers and therefore increases in the demand for core engineering referral services in the future, and this will be a driver of growth in this business segment. We are already the largest player in the segment thanks to our predominant ability to attract large numbers of engineers with high levels of skills in mechanical, electrical/electronic, information processing, control and other engineering disciplines.

Results from international human resources and outsourcing services of the Premier Group were also included for 12 months in the consolidated figures, and the June 2007 acquisition of The Holland Group of Tennessee, Inc. brought a significant increase to revenues compared to the previous consolidated accounting period.

However, the suspension order issued against Goodwill, Inc., the group's subsidiary in light manufacturing referral services, resulted in a substantial decline in revenues, which combined with increases in sales, general and administrative expenses to strengthen compliance to produce a significant decline in operating profits. Goodwill, Inc. ceased all operations on the final day of July.

As a result, during this consolidated accounting period, revenues from the "human resources and outsourcing services" increased by 139,707 million yen compared to the previous consolidated accounting period to 550,036 million yen, while operating profits declined by 19,024 million yen compared to the previous consolidated accounting period for an operating loss of 2,520 million yen.

The group is the largest referrer of full-time employees in Japan and is putting in place mechanisms that will facilitate the transition from short-term to long-term temporary staff and from temporary staff to full-time employee status. In addition to the provisions in the Worker Referrals Law, we are also expanding and enhancing our organizations to ensure compliance to all other applicable laws and ordinances. These efforts are overseen by the Group Compliance Promotion Meeting, which continues to plan and implement compliance training and to bring greater rigor to our management and verification of appropriate referrals and subcontracting.

***(Nursing and health care support business)***

In the "nursing and health care support business," this year saw the completion of the assignment of the operations of subsidiary COMSN, Inc. and all other nursing care and allied services within the group.

As a result, during this consolidated accounting period, revenues from the "nursing and health care support business" decreased by 60,678 million yen compared to the previous consolidated accounting period to 23,755 million yen, while the operating loss improved by 176 million yen compared to the previous consolidated accounting period to 4,667 million yen.

*(Other businesses)*

In the future, the group will be selecting and concentrating its operations in the engineering and manufacturing referrals business and will therefore be reviewing its restaurant business and other businesses in order to ensure appropriate profit levels.

As a result, during this consolidated accounting period, revenues from the "other businesses" decreased by 3,708 million yen compared to the previous consolidated accounting period to 10,530 million yen, while the operating loss improved by 220 million yen compared to the previous consolidated accounting period to 2,238 million yen.

2 Forecast for next term

For the next term, the outlook continues to be opaque and the slowdown in US business conditions, skyrocketing prices for oil and other raw materials, and other factors give stronger indication that the economy could be entering a recessionary phase. The market environment for the human resources and outsourcing services is anticipated to be challenging because of a combination of increases in direct employment and full-time hiring by companies and stiffer regulations under the Worker Referrals Law.

The group is responding to this environment by moving forward with the process of selection and concentration for its operations as called for in "Revival Plan 2012." We will be selling and liquidating unprofitable and non-core businesses to concentrate our management resources on the core basic earnings provided by the engineering referral service. We will also be engaging in a rigorous review of indirect costs for the head office and other units, seeking overall cost reductions that shore up our financial base and enable us to seek stable growth through balanced, appropriate management.

For FYE June 2009, we forecast consolidated revenues of 380,000 million yen, consolidated recurring profits of 1,000 million yen and consolidated net losses of 4,000 million yen.

(2) Analysis of financial position

Gross assets for this consolidated accounting period were 202,040 million yen, a decline of 164,598 million yen compared to the end of the previous consolidated accounting period. Shareholders equity was -2,691 million yen, a decline of 12,207 million yen compared to the end of the previous consolidated accounting period.

Below is a description of the primary factors behind these changes.

In the assets section, current assets declined by 91,589 million yen compared to the end of the previous consolidated accounting period to 109,722 million yen. This was primarily due to a decline of 48,463 million yen in cash and deposits compared to the end of the previous consolidated accounting period to 11,137 million yen, together with a decline in bills receivable and accounts receivable of 29,444 million yen compared to the end of the previous consolidated accounting period to 57,014 million yen. The key factors impacting these results were the withdrawal from the nursing care business by COMSN, Inc. and the suspension of operations at Goodwill, Inc. due to administrative actions. Tangible fixed assets were 33,210 million yen, a decline of 34,171 million yen compared to the end of the previous consolidated accounting period. This was due to a decline in fixed assets resulting from the sale of the nursing care business and also from the sale of aircraft etc. Investments and other assets were 12,792 million yen, a decline of 9,159 million yen compared to the end of the previous consolidated accounting period. This was due to a decline in affiliate equity resulting from the sale of operations and also the sale etc. of investment securities.

On the liability side, current liabilities declined by 187,443 million yen compared to the end of the previous consolidated accounting period to 98,080 million yen. This was primarily the result of a reduction in interest-bearing debt using proceeds from the sale of COMSN, Inc. and other components in the nursing care business as repayment funding. During the year, the

group repaid 133,338 million yen in short-term borrowings (this figure includes 75,285 million yen from the conversion of short-term borrowings to long-term borrowings for as a result of the assignment of credits from Mizuho Bank, Ltd. to Promontoria Investments I B.V.). Accrued corporate taxes etc. and accrued consumption tax etc. were 4,326 million yen, a decline of 11,883 million yen compared to the end of the previous accounting year. Fixed liabilities were 85,808 million yen, an increase of 40,651 million yen compared to the end of the previous consolidated accounting period. This was the result of an increase in long-term borrowings to 74,649 million yen, an increase of 50,189 million yen compared to the end of the previous consolidated accounting period (including a shift from short-term borrowings to long-term borrowings of 75,285 million yen as a result of the assignment of credits from Mizuho Bank, Ltd. to Promontoria Investments I B.V.), the repayment of 45,749 million yen in long-term borrowings, and the retention of 2,880 million yen in bonds, which decreased the balance of outstanding bonds to 5,220 million yen.

(3) Basic guidelines on allocation of earnings and dividends for this term and next term

For the current FYE June 2008, we will unfortunately have to forgo payment of an interim dividend and also a year-end dividend.

In light of the difficulty in securing funding for dividends, our guideline for FYE June 2009 is also to forgo payment of dividends. We apologize in advance for this.

(4) Business etc. risks

Below is a general description of the risks to which the group's businesses etc. are exposed. As part of efforts to proactively disclose information to investors, we also disclose matters deemed to be material to investment decisions even if they do not necessarily constitute business or operational risks.

Note, however, that the discussion below covers the major risks anticipated but risks are not limited to those discussed. Further, the discussions below represent the judgment of the group as at September 12, 2008.

Having recognized the potential for these risks to materialize, we take efforts to prevent and avoid them and also endeavor to respond to them as a matter of policy, but we nonetheless recommend that these matters be considered carefully together with the other parts of this document and other descriptions when deciding to invest in the shares of the company. It should be further emphasized that the discussions below in no way represent an exhaustive, comprehensive discussion of all of the risks associated with investments in the company's stock.

1 Risks to the operations and businesses of the group

a. Common risks for all segments

(Management of client company and staff etc. databases)

The operational efficiency of the group depends to a great deal on its core operational computer systems, and the group prepares for failures etc. of the servers by deploying multiple servers with equivalent functions and by performing regular data backups. In addition, some backup functions are situated in remote locations to prepare for a simultaneous stoppage of servers due to earthquake or other disaster.

Group companies are renovating and upgrading their core operational systems to accelerate settlement processing, reinforce internal controls and achieve greater efficiency in back-office operations. Due to the nature of these core operational systems, we are proceeding in a planned, careful manner with their installation and operation. We are also reinforcing the functions of "SkillBank.com," a system to check and improve the skills of employees.

However, the priority is on upgrading core operational systems, and in the event that large amounts of time are required for the system upgrades, there is the potential for delay in the release of other systems such as "SkillBank.com," which could have an impact on the group's results.

(Handling of customer information)

The group refers large numbers of engineers and production employees who are in positions that enable them to learn confidential information of customers. In light of this, the group recognizes the extremely important nature of information management and has put in place rigorous information management systems. It also provides education and training to all employees so as to ensure that they are fully aware of the need to maintain information in confidence.

There is, however, the potential for unauthorized external access and unauthorized revelation of information due to improper internal management, and in such cases the group may be liable for compensation and may experience injury to its social credibility and reputation that could have impact on its performance.

(Handling of staff personal information)

The group, in all of its operations, maintains large amounts of personal data regarding its referred staff and registered staff. In light of this, the group recognizes the extremely important nature of personal information management and has put in place rigorous personal information management systems. It also provides education and training to all employees so as to ensure that they are fully aware of the need to maintain personal information in confidence.

There is, however, the potential for unauthorized external access and unauthorized revelation of information due to improper internal management, and in such cases the group may be liable for compensation and may experience injury to its social credibility and reputation that could have impact on its performance.

(Internal management systems)

The group conducts its operations and businesses in compliance with all laws and ordinances in force at the current point in time and endeavors to be aware of any legal amendments and other changes in laws and ordinances that affect its operations, recognizing the need to strengthen its internal management systems.

b. Risks associated with human resources and outsourcing services

(Regulations etc. governing the human resources business)

The group engages in labor referral services that are considered to be appropriate under the "Standards for Categorization of Businesses Conducted as Labor Referral Services and Subcontracting" pursuant to the Worker Referrals Law (Ministry of Health, Labour and Welfare Notification No. 37 of 1986) and in accordance with other relevant laws and ordinances.

Subsidiaries C-Tech, Inc. and TechnoPro Engineering, Inc. file notifications under the Worker Referrals Law as "designated labor referral services" that refer full-time employees to client companies.

There is the potential for impact on the group's results in the event that these group subsidiaries engage in illegal actions with respect to the Worker Referrals Law and, as a result, have their licenses revoked. In addition, amendments to the Worker Referrals Law or other relevant laws and ordinances that result in stronger regulations could force the group to review its main business activities, which would potentially impact the results of the group.

(Development, recruiting and supply of referral staff)

Supply and demand in the worker referral industry is tight due to declining birth rates, aging demographics and policies to promote the direct hiring of staff by companies. The recruiting and training of human resources is therefore an important issue that directly impacts the results of the group. The group has the largest number of full-time employees on referral of any company in Japan, and during FYE June 2009, which began in July of this year, positioned "improvement of employee satisfaction" for both full-time and referral staff as one of its most important objectives. It is now conducting policies and programs aimed at increasing the motivation of full-time and referral staff alike. More specifically, it is putting in place training systems and career counseling mechanisms for its engineer referrals, manufacturing referrals, general referrals and professional referrals areas that will improve the skills and careers of full-time and referral employees and will also make it possible for employees to use internal transfers to make changes in their careers. We are also reinforcing the functions of "SkillBank.com," a system to check and improve the skills of employees. SkillBank.com will enable users to register their skills and receive suggestions on the training and experience they require. This will provide 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.

In addition, the group has hiring standards that correspond to the work assignment standards on the sales and order-booking side so that it is able to optimize its staff recruiting and supply by forming pools that better reflect booking trends and by engaging in sales activities that better reflect hiring trends.

However, there is the potential for difficulties to be encountered in staff recruiting due to the increased competition for staff and the decline in the company's reputation and social credibility. Changes in conditions at major clients can also result in sharp shifts in the demand for workers and declines in working hours and days that have the potential to impact the results of the group.

(Enrollment in social insurance)

The group requires all referred staff to enroll in social insurance in compliance with the current social insurance system.

Note: Referred workers who enter into employment contracts for periods of less than 2 months and whose daily or weekly working hours and monthly working days are less than 3/4 of the base working hours and working days for that position at the assigning company are exempt from social insurance.

Under the pension reforms of 2004, the company contribution to Welfare Pension premiums will be gradually raised from 6.967% of standard monthly wages in October 2004 by the amount of 0.177% per annum to a final rate of 9.15% beginning in 2017.

Any changes to premium rates, premium contribution percentages and the scope of the insured could potentially impact the group's results.

(Work-related accidents and transactional problems involving referred workers)

In the event that workers referred by the group die, are injured or become ill in the performance of their duties, the group would incur compensation liabilities as the employer under the Labor Standards Law, Worker Disaster Compensation Insurance Law and other relevant laws and ordinances.

The group provides rigorous education on safety and sanitation for referred workers, but there is the potential for disaster compensation obligations etc. to be incurred because of unforeseen circumstances. In addition to rigorous safety and sanitation education, the group encourages referred workers to be more aware of safety by providing loans of

safety equipment etc. to prevent injury and sickness and by posting and distributing appropriate warnings regarding work tasks. However, in the event of an accident or disaster, there is the potential for the group to bear compensation liability because of violations of safety provisions in labor contracts or liability for illegal actions etc.

In addition, there is the potential for litigation or other claims being lodged against the group as a result of negligence or mistakes on the part of referred workers, contractual violations with client companies and illegal actions committed by referred workers.

The group has a Legal Department that provides for legal risk management, but lawsuits, depending upon the nature and value, have the potential to influence the group's results.

(Subcontractor liability)

Among the services offered by the group are work subcontracting (*Ukeoi*) services, and as a subcontractor the group is liable to client companies for the completion of work as well as incurring liability for worker injury and property damage in the course of the completion of subcontracted work. The group only accepts subcontracting commissions for work considered to be subcontracting pursuant to the "Standards for Categorization of Businesses Conducted as Labor Referral Services and Subcontracting" (Ministry of Health, Labour and Welfare Notice No. 37 of 1986) and other relevant laws and ordinances.

In the event of staffing shortfalls in an accepted commission such as to impair completion of the work, the group supplements personnel with standby staff in order to responsibly fulfill its obligations. After completion of the assignment, the group bills and collects the price from the client company and pays remuneration to staff.

Prior to provision of services by the group, the group confirms the scope and nature of the subcontracted services with the client company, and the group and client company mutually confirm the completion of the work.

c. Risks associated with other businesses

The group's restaurant business is regulated under the Food Sanitation Law and other laws and ordinances. As an operator of restaurants, the group must assign food sanitation managers and must receive licenses from prefectural governors as stipulated by the Ministry of Health, Labour and Welfare. In the event of food poisoning, the establishment could be subject to disposal of food etc., cancellation of operating licenses, bans on operations or temporary suspension of operations, and this has the potential to impact the group's results.

d. Establishment of social credibility and reputation

The group is enhancing its compliance system and developing uniform, ongoing compliance programs that extend throughout its operations so that it can continue to be a corporate group that is trusted by society. In human resources services conducted in Japan, the Compliance Division in the holding company oversees the Compliance Promotion Department, Compliance Planning Department and Contract Management Department to provide for legal compliance throughout the group. It also operates the Group Compliance Meeting, oversees the responses of operating companies to administrative measures and changes in laws and ordinances, acquires external certifications and rigorously manages worker referrals, subcontracting services and contracts to ensure that they are appropriate.

Within the Compliance Promotion Department are the Compliance Promotion Section, Standards and Regulations Management Section, Ukeoi Management Section, ISO Section and Security and Health Section, and staffing for these units is being increased. Staffing is also being increased for the Internal Audit Office that works under the direct

supervision of the representative director so as to establish systems for the prevention and early discovery of legal violations, thereby enhancing our base of trust and credibility.

The Compliance Promotion Offices located within individual operating companies work in close coordination with the holding company Compliance Division to provide a groupwide, uniform, systematic compliance system. The group also conducts training programs for ordinary employees, technical/skilled employees and referred workers in order to increase their awareness of legal compliance issues. These programs are overseen by the Education and Training Department and are intended to create an organizational culture in which compliance is given top priority.

The executives and employees of the group are committed to obeying the law, maintaining high levels of ethics and discharging corporate social responsibilities.

Nonetheless, in the event of actions that violate the law or contravene social mores, the company could lose its social credibility and standing, and this could potentially impact the group's results.