

August 27, 2002

## Financial Report (Consolidated) for the Fiscal Term Ending June 2002

Name of listed company: The Goodwill Group, Inc.

JASDAQ registered securities

Ticker No.: 4723

Headquarter location: Tokyo

(URL <http://www.gwg.co.jp>)

Contact person: Akira Kanazaki Managing Director, General Manager of Administration,  
Head of Chairman's Office (03-3405-9228)

Date of board of directors meeting on financial results: August 27, 2002

Application of US GAAP: None

### 1. Consolidated Financial Results for the Full Year ending June 2002 (July 1, 2001 ~ June 30, 2002)

#### (1) Consolidated Business Results (Rounded down to the nearest million)

	Revenues		Operating Income		Recurring Income	
	MM Yen	%	MM Yen	%	MM Yen	%
FY ending June 2002	47,295	(-7.6)	3,756	(-)	3,657	(-)
FY ending June 2001	51,210	(58.1)	(3,827)	(-)	(3,128)	(-)

	Net Income		EPS	Fully Diluted EPS	Return on Equity	Return on Total Assets	Recurring Income to Net Sales
	MM Yen	%	Yen	Yen	%	%	%
FY ending June 2002	2,401	(-)	13,100.01	---	15.6	12.9	7.7
FY ending June 2001	(7,409)	(-)	(42,037.74)	---	(46.6)	(7.1)	(6.1)

(Note) Investment gains (losses) accounted for by the equity method.

FY ending 06/2002: None FY ending 06/2001: (0 MM Yen)

Average number of shares during the term (consolidated)

FY ending 06/2002 183,300 shares

FY ending 06/2001 176,268 shares

Changes in accounting principles applied: None

Percentages in parentheses in the revenues, operating income, Recurring Income, and net income sections indicate rate of year-on-year increase/decrease.

#### (2) Consolidated Financial Overview

	Total Assets	Shareholders' Equity	Equity Ratio	Shareholders' Equity per Share
	MM Yen	MM Yen	%	Yen
FY ending June 2002	28,314	15,309	54.0	82,860.82
FY ending June 2001	38,507	12,089	31.5	68,585.86

(Note) Number of shares outstanding at end of the term (consolidated)

FY ending 06/2002 184,766 shares

FY ending 06/2001 176,268 shares

#### (3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents ending balance
	MM Yen	MM Yen	MM Yen	MM Yen
FY ending June 2002	821	(5,222)	(1,337)	7,033
FY ending June 2001	(8,303)	(1,739)	(450)	12,771

(4) Items pertaining to the scope of consolidation and the application of equity method

Number of consolidated subsidiaries: 3

Number of affiliated companies: 0 (Of which those affiliated companies accounted for by the equity method: 0)

(5) Changes in the scope of consolidation and the application of equity method

Consolidation (New): 2 (Exclusion): 23

Equity method (New): 0 (Exclusion): 1

### 2. Forecast on Consolidated Financial Results for the Full Year ended June 2003 (July 1, 2002 ~ June 30, 2003)

	Revenues	Recurring Income	Net Income
	MM Yen	MM Yen	MM Yen
Interim	24,000	1,800	900
Full year	52,000	4,500	2,500

(Reference) Forecasted EPS (Full year) 13,530.59 yen

The forecast above is based on the information available as of the date of release of the subject material and leaves room for various uncertainties. As such, the actual business results could vary, depending on various factors that may emerge going forward.

## 1. Overview of the Company Group

The group is constituted by the Goodwill Group, Inc. (the Company) and 3 subsidiary companies and is engaged in “Total Human Resource Services” which respond to diverse needs relating to human resources including subcontracting of primarily light labor, subcontracting specialized in event operations, EAP (Employment Counseling Program), human resources and agency services, and nursing care and medical support services. The details of the businesses and the positioning of each affiliated company in each business and segmental classification of the businesses are as described in the following table.

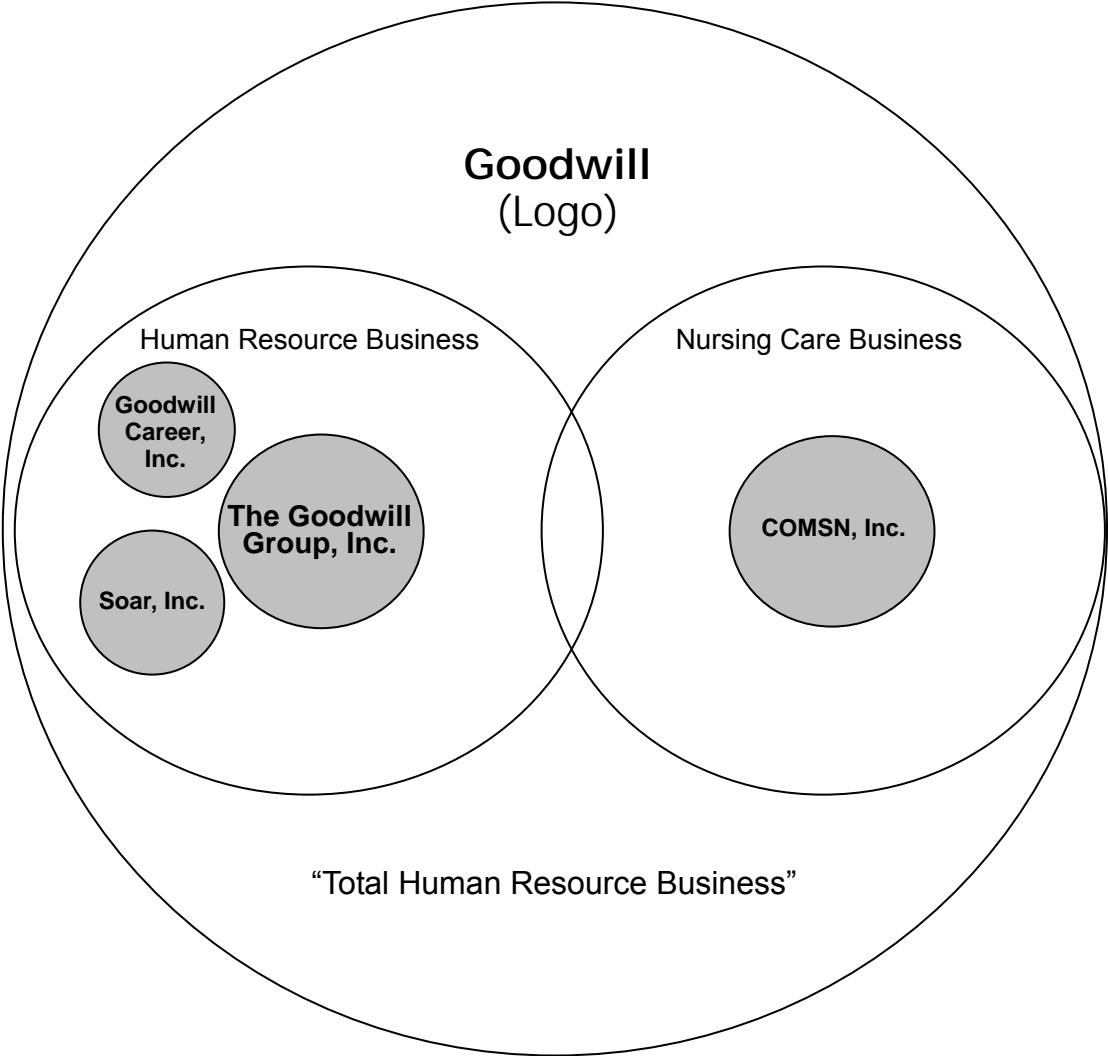
(as of June 30, 2002 )

Business Type	Name	Address	Capital	Principle Line of Business	Voting Rights Ownership (%)	Affiliation Details	Remarks
Contracting Business	Goodwill Group, Inc (the Company)	Minato-ku, Tokyo	(¥000) 13,674,660	Sub-contracting of light labor	-	-	(*3)
	Soar, Inc.	Shinjuku-ku, Tokyo	30,000	Sub-contracting specialized in event operations	100	2 officers serving concurrently	(*1)
Human Resources Related Services	Goodwill Career, Inc.	Shinjuku-ku, Tokyo	492,000	EAP Services, Temporary staffing as provided for by Temporary Staffing Law, Fee-based job placement based on Employment Stabilization Law, Advertising agency, advertising planning and production, etc.	90.0	In addition to temporary staffing, conduct placement of advertisement.  3 officers serving concurrently.	(*2) (*4)
Nursing Care and Medical Support Services	COMSN, Inc.	Minato-ku, Tokyo	14,057,350	Home nursing care and home dental treatment support services	78.4	3 officers serving concurrently	(*5)

(\*1) Soar, Inc. has changed its corporate name from Soar Promotions Co., Ltd. as of January 1, 2002.

- (\*2) The driver dispatch services of the Goodwill Career, Inc. were transferred to Soar, Inc. effective July 1, 2002.
- (\*3) The Company has merged with Line Up Inc. as of January 1, 2002.
- (\*4) Subsidiaries Goodwill Career, Inc. and Goodwill Foresight, Inc. have merged effective January 1, 2001, with the former being the surviving company. Further, the Goodwill Career, Inc. and the Goodwill Express, Inc. a subsidiary of the Company merged effective January 1, 2002,
- (\*5) Subsidiaries COMSN, Inc., Dental COMSN, Inc. and Medica, Inc. have merged effective January 1, 2002.
- (\*6) Due to transfer of all of the shares of the Goodwill Communications, Inc., a subsidiary of the Company, in July 2001, the Goodwill Communications, Inc. and its subsidiaries GCM International Limited, Web-Logistic.com Korea, Inc., Web-Logistic (Asia Pacific) Ltd., Globe Net Relations, Pte. Ltd., Web-Fulfillment Center (Singapore) Pte. Ltd., and Multi-Technology Inc., as of the current interim period, are not included in the consolidation or for the purposes of Equity Method accounting.
- (\*7) Due to the transfer of the partial holdings of the shares in Creek, Inc., a subsidiary of the Company, Creek, Inc., its subsidiaries Apollo International, Inc., Clique International Ltd., Creek Beauty Training Center, Inc., Platinum Santa, Inc., as of the current interim period, are not included in the consolidation or for the purpose of Equity Method accounting.
- (\*8) Until the previous consolidated fiscal year, "Human Resources and Agency" services were treated as independent segments. However, as of the current interim period it has been integrated with EAP (Employment Counseling Program) services which was included among "Other" and also with the business dealing with advertisement agency relating to human resources and has been included as "Human Resource Related Services".
- (\*9) Due to the transfer on June 20, 2002 of all of the shares in Sidework, Inc. and COMSN Press, Inc. which were consolidated subsidiaries of the Company, both Sidework, Inc. and COMSN Press, Inc. are no longer consolidated subsidiaries of the Company for the current fiscal year end. .

The business organization chart of the company group is as follows.



## **2. Management Policies**

### (1) Management Policies of the Company

The Group has been continuously pursuing its philosophy of “unrelenting venture spirit” and “expansion, contribution to society and self-realization”. We recognize that in conditions such as those existing today where changes in the world are rapid and severe, not fearing the change but to always embrace new challenges and absorb the new knowledge, technologies, and skills will add to the development of our Group. Together with the dramatic growth of the Group, it is one of the corporate missions that we recognize our responsibility of being aware of our role as a member of the society and to make the most significant contribution to the society that we can and, particularly in an economic environment such as today where the employment environment is deteriorating, much are expected of us in fulfilling our role as a receptacle for employment opportunities as a key member of the human resource industry.

Further, in addition to the growth and social contribution as corporate entity, it is important to recognize that the corporation supports the growth and social contribution of each and every employee and we firmly believe that by providing a forum in which each employee can reflect upon his or her future toward which he or she can strive will, in turn, lead to the further growth and success of the Group.

### (2) Basic Policies Regarding Distribution of Profits

Distribution of profits to the shareholders is positioned as one of the highest management priorities for the Company and the group companies. While giving consideration to the maintenance of a stable management foundation, it is our objective to implement a stable dividend distribution. Specifically, distribution of an interim dividend was initiated from the prior period (in the prior period, the dividend was ¥250 per share). For the prior full fiscal year, combined with the end of year dividend of ¥750, total dividends of ¥1,000 being distributed in the year. During the current fiscal interim period, ¥250 interim dividend was distributed and a distribution of ¥750 year-end dividend is planned making the full year dividend of ¥1,000.

### (3) Target Management Indices

To maximize the enterprise value, the Group places the greatest importance on enhancing the efficiency in the usage of assets and capital, that is to say, improving the Return on Assets (ROA) and the Return on Equity (ROE). The Group, which is in the business of providing total human resource services, recognizes that particularly human resources are the most important assets. Minimize assets that can be quantified while taking care of human resources which cannot be quantified. In other words, the Company believes that minimizing the holding of surplus assets

and assets with low utilization are important in the enhancement of asset and capital efficiency. The organizational structure which is being pursued by the Group is one in which each human resource is able to realize his or her full potential while pursuing profitability utilizing the least amount of assets.

#### (4) Management Strategy for the Medium and Long Term

The single most important management objective held by the Group is the maximization of corporate value, i.e. maximizing the market capitalization of the shares. We believe that through establishing strong foundation in the almost limitless “human resources”, “outsourcing”, and “medical welfare” markets and growing the profit through steady growth that is befitting for “the leading company in the total human resource services” will lead to the achievement of enhancement of asset values for our shareholders.

The Company pursues maximization of shareholder value as the mission placed on the Company as a joint stock company. We strongly recognize that expected rate of return is the “cost of capital” for the Group and it is our view that achievement of ROE well in excess of the expected return will lead to the maximization of shareholder value and ergo the maximization of corporate value. However, a single-minded pursuit of expansion through highly leveraged expansion will lead to instability in the value of the enterprise and consequently detract from the enterprise value.

In order to achieve our goals, the Group will always pursue the optimum capital structure and enhance the growth cycle while making efforts to achieve improvements and strengthening of financial indices over the medium term. The Group will also make efforts to strengthen the Group’s overall growth strategies through optimizing the allocation of Group’s management resources. As one measure toward this goal, major businesses of the Company will be spun off into independent companies to enhance the level of awareness of bottom line accountability of each business in order to maximize profits at an earlier stage; however, where a need for centralization of management resources is thought to exist in order to pursue changes in management environment and to pursue the benefits of scale and centralization will be pursued in our constant pursuit of optimum allocation of management resources.

#### (5) Measures Taken Relating to Management Structures

The Company, from the perspective of corporate governance has introduced executive officer system effective August 2000, and in addition to dividing the decision making organization from the executing organization, an additional external auditor has been added to bring the auditing posts to 4 auditors with the objective of strengthening the auditors’ and the directors’ supervisory

functions over the execution of duties. The Company is fully cognizant of its responsibility as a publicly traded company to disclose information and to fulfill its obligations with respect to accountability and have been placing emphasis on our investor relations (IR) activities. From February 2000, IR Office has been established as a department dedicated to the provision of IR services. However, in order to enhance the cooperative actions between the IR department and the overall public relations activities, the IR Office and the Public Relations and Advertisement Division have been merged to form Public Relations and IR Division. We intend to eliminate unnecessary credit risks arising from insufficient disclosures and realize the maximum corporate value at each situation by continuing to enhance IR activities and making the management conditions more transparent to the shareholders.

#### (6) Issues Facing the Company

In spite of the declaration by the government for bottoming out of the economy, with the strong uncertainties surrounding the world economy with focus paid to the American economy, the desire of the corporations to continue to reduce personnel costs remains strong. Consequently, the employment conditions continue to be severe. Under such conditions, subcontracting of light labor based on the concept of outsourcing, which is one of the Group's principle services, is a service that provides to the industries "needed personnel, when needed and in the numbers that are needed" according to the volume of the workload of the client companies. It responds to the needs of the companies to reduce personnel costs through transforming personnel costs which had been fixed expenses to that of a variable or current expense. In addition, the nursing care services industry together with the subcontracting services industry are both expected to provide receptacles for employment in the sense of new job creation and are areas in which further expansion is expected.

Under such conditions, with respect to the Group, as the finishing touches to the historical selectivity and concentration which we have been pursuing, we have divested GW Capital Inc., the financing business entity, in order to make clear the concentrated focus on subcontracting services for light labor and nursing care services as the core businesses. In the light labor subcontracting services, amidst an environment that continues to be increasingly severe, we have further pursued selectivity and concentration and effective January 1, 2002, the Company has merged with Line Up, Inc., a subsidiary of the Company. Going forward, we will continue to pursue further rationalization by harnessing the synergies and economies of scale arising from the merger. At the same time, we will place greatest emphasis on and further enhance the degree of customer satisfaction among the registered staff and client companies.

With respect to the nursing care services, the results of the business turned the corner and

achieved profitability during the preceding fourth quarter. Having successfully reaching its initial goal, it faced a turning point in its goal setting to that of achieving expansion and developing. In practical terms, measures to further strengthen the organization and structure relating to the nursing care services will be taken in the second half, in addition to taking aggressive business development activities toward other companies. These will include accelerating the pace of new outlet openings, primarily based on dividing up the existing outlets and filling in vacuums in area coverage created by amalgamation and elimination of outlets in order to expand the customer base. Steps will also be taken to enhance the educational and training programs to improve the quality of nursing care. Incentive programs will also be introduced for the staff to create a working environment that provides the desire and incentive for work. The nursing care services will be made a business that is on a solid footing. We will endeavor to maximize the profits through intensifying business development, enhancing training and education, and continued vigilance on expense control. Through these, customer satisfaction will be enhanced and will bring about employment stability and high morale that will lead to the development of the nursing care industry and which in turn will lead to the development of the society as a whole.

### **3. Management Performance and Financial Conditions**

#### (1) Overview of the Current Consolidated Fiscal Year

Some signs of the bottoming out of the economy were seen over the fiscal year end fueled by increased exports due to the recovery of the American economy and the progress made in inventory adjustments. However, corporate performance deteriorated, capital investments were restrained, and employment environment deteriorated with the accelerating pace of corporate restructurings and continued stagnation of personal consumption.

Light labor subcontracting industry in which the Company is a major participant showed a steady pace of expansion supported by the corporate need to reduce the level of expenses. However, there are many competitors in the industry and the intensity of the competition continues to increase, and the year was one in which the ability to survive the competition was made difficult unless further differentiation and value added or cost reduction are achieved.

With respect to the business performance of the Group (the Company and consolidated subsidiaries, hereinafter the same applies) for the current consolidated fiscal year in review, the subcontracting of light labor faced severe management environment amidst intensifying competition in the industry. The medical and nursing care services, however, began to operate profitably since the last quarter of the previous year due to the increase in the number of those who have been certified as requiring nursing care and the heightened demand for nursing care services. In the current fiscal year, even further aggressive business development efforts were

taken to provide an even higher level of nursing care services and the Group was able to achieve profitable operations for the full year and an increase in Revenues. With respect to the human resource related services, the EAP (employee counseling program) related services showed steady growth. But temporary staffing and personnel agency services faced severe tests as the level of staffing demand by the corporate customers was depressed during the year. With the Group strategy emphasizing selectivity and concentration, Creek, Inc. and its subsidiary as well as Goodwill Communications, Inc. and its subsidiary which had been included in the consolidation during the prior fiscal year are no longer included in the consolidation for the current fiscal year.

Consequently, the Group Revenues for the consolidated fiscal year recorded ¥47,295 million which was a 7.6% decline over the prior consolidated fiscal year while the Recurring Income and Net Income for the Year were ¥3,753 million and ¥2,401 million respectively.

Performance by each business segment is as below.

(Subcontracting)

In the subcontracting segment, Line Up, Inc. which had recently been added to the consolidated subsidiary during the current fiscal year and the Company merged effective April 1, 2002. The merger had the objective of strengthening our presence and provided a deeper customer services in interior and event businesses in which the Company had held only a small market share. The merger also had the objective to enable consolidation of administrative areas and rationalization in outlet locations in areas where duplication existed and achieve a more efficient organization while maintaining the business execution capabilities. Customer Service Centers were created during the previous fiscal year to uncover new customer needs and enhance services, and as a result of its efforts, subcontracting multi-media, sales agency, market research, and data input operations performed in general corporate offices were increased, in addition to the mainstay of subcontracting light labor related services. As a result, the Revenues for the segment increased 29.3% over the previous consolidated fiscal year to ¥29,785 million and Operating Income of ¥2,887 million, a 76.1% increase on a year on year basis.

(Human Resource Related Services)

In an environment in which the signs of decline in the level of demand for hiring staff can clearly be seen among the corporations, the Goodwill Career, Inc. and the Goodwill Foresight, Inc. merged in July 2001, and in January 2002 merged again with the Goodwill Express, Inc. They merged with the objective of continuing the Group's pursuit of selectivity and concentration and derive synergy among EAP (employee counseling program), temporary staffing and agency, and

personnel related advertisement businesses, but the level of synergistic effects that were achieved within the current consolidated fiscal year fell short of our original expectations. Revenues increased 38.8% to ¥2,003 million with Operating Income recording an increase of 23.0% to ¥101 million.

“Temporary Staffing and Agency” had been classified as an independent business segment up through the previous consolidated fiscal year. But as noted in “(Note) 1 (Change in Business Classification) in the current consolidated year (Segment Information) a. Segment Information by Business Type”, commencing the current consolidated fiscal year, “Temporary Staffing and Agency” has been consolidated with EAP (employee counseling program) and personnel related advertising services and is presented as “Human Resource Related” services. EAP services and personnel related advertising business revenue during the previous consolidated fiscal year was ¥418 million and Operating Losses was ¥38 million.

#### (Financing Business)

The business objective of efficient investment of funds remained the same from the previous consolidated fiscal year and new investments were restrained to the extent possible. In a severe economic environment, G.W. Capital, Inc. which was a consolidated subsidiary was divested as a result of the Group’s strategy for selectivity and concentration and as of the end of the current consolidated fiscal year, there are no longer any companies that are engaged in the financing business. As a result, the Revenues for this segment for the current consolidated fiscal year were ¥307 million which was a 35.6% decline over the previous consolidated fiscal year and the Operating Losses reached ¥6 million.

#### (Medical and Nursing Care Services)

We have added enhancements to the business model that had been established during the previous consolidated fiscal year and with the objective of achieving a dramatic growth in the businesses, undertook aggressive expansion in the number of locations, recruitment and training of care managers and home-helpers, and expanded service area coverage. In addition, a Customer Relations Management Office (CRM) was newly established to enhance communications with customers and enhance the quality of our services. Thus, efforts were made to increase the level of customer satisfaction and simultaneously achieve expansion in the services and enhancement of quality levels in order to differentiate the Company from the competition. Resulting from these initiatives, Revenues showed a 22.4% improvement to ¥15,199 million while the Operating Income recorded ¥786 million.

## (2) Financial Conditions

#### (Cash Flow)

Cash and cash equivalents position during the current fiscal year declined substantially by ¥5,738 million to ¥7,033 million which was a 44.9% decline. The financial results turned favorably from a Net Loss before Adjustment for Taxes in the previous consolidated fiscal year to a profitable operation during the current period under review, but this was offset by the significant deterioration in the cash flow from financing activities due to disposal of subsidiary stocks in July 2001. The Goodwill Communications, Inc. and its subsidiary as well as Creek, Inc. and its subsidiary became no longer consolidating subsidiaries.

#### (i) Cash Flow from Operating Activities

Cash generated from operating activities during the current consolidated fiscal year totaled ¥821 million. While the Net Income before Adjustment for Taxes totaled ¥3,854 million, tax payments of ¥2,055 million were made.

#### (ii) Cash Flow from Investing Activities

Net cash expended during the period under review was ¥5,222 million. This was principally as a result of a cash out totaling ¥6,627 million arising from the divestiture of the shares of consolidated subsidiaries the Goodwill Communications, Inc. and Creek, Inc. and consequently being excluded from consolidation.

#### (iii) Cash Flow from Financing Activities

Cash outflow resulting from financing activities during the current fiscal year was ¥1,337 million. This was due mainly to the reduction in the level of short-term borrowings by ¥1,059 million.

#### (3) Outlook for the Coming Year

While there has been a declaration of the bottoming out of the economy as a whole, a quick recovery is not expected. Under such conditions, while excessive optimism is not warranted with respect to the subcontracting business, business development efforts that have continued to be put forth since the previous year and the improvements in business efficiencies from the mergers are expected to bear fruit for the year. We expect that the business will experience a relatively strong performance. With respect to medical and nursing care services, the number of certified nursing care receivers is assumed to continue to expand and the demand for nursing care services is expected to continue to expand steadily. On the other hand, in human resources related areas, while a transition is being made to shift the business weight away from temporary staffing due to the declining demand toward employee counseling program (EAP), the severe management environment is expected to persist in this segment.

Based on the above outlook for the various segments, we project Revenues to reach ¥52.0 billion with Recurring Income and Net Income for the Year recording ¥4,500 million and ¥2,500 million respectively. We plan to make dividends totaling ¥2,000 per share for the year.

#### **4. Consolidated Financial Statements**

**(1) Consolidated Balance Sheet**

(Unit: '000 yen; smaller digits are rounded down)

Items	Current Fiscal Year (As of June 30, 2002)		Previous Fiscal Year (As of June 30, 2001)		
	Amount	% Total	Amount	% Total	
<b>(Assets)</b>					
<b>I. Current Assets</b>					
1. Cash and deposits	1	7,071,706		12,808,902	
2. Trade notes and accounts receivable	3	4,151,351		4,072,746	
3. Accrued revenues		3,666,614		2,732,648	
4. Loans receivable		-		2,643,980	
5. Investment securities		-		346,527	
6. Inventory		-		232,227	
7. Deferred tax assets		196,541		176,629	
8. Prepaid expenses		254,564		296,454	
9. Others		1,389,350		2,399,363	
10. Allowance for doubtful accounts		(47,251)		(69,396)	
Total current assets		16,682,877	58.9	25,640,084	66.6
<b>II. Fixed Assets</b>					
<b>1. Tangible assets</b>					
(1) Buildings and structures		594,027		2,499,569	
Accumulated depreciation		(170,828)	423,199	881,651	1,617,918
(2) Furniture and fixtures		1,736,724		2,341,720	
Accumulated depreciation		(879,953)	856,770	832,882	1,508,838
(3) Land	1		331,200		329,966
(4) Construction in progress		-			
(5) Others		119,737		203,194	
Accumulated depreciation		(90,274)	29,462	114,248	88,946
Total tangible assets		1,640,633	5.7	3,582,079	9.3
<b>2. Intangible assets</b>					
(1) Consolidation adjustment account		5,957,071		2,832,732	
(2) Software		379,706		595,672	
(3) Others		208,199		285,067	
Total intangible assets		6,544,977	23.1	3,713,472	9.6
<b>3. Investments and other assets</b>					
(1) Investment securities	2	1,569,001		1,032,847	
(2) Long-term loans		778,590		1,264,538	
(3) Deferred tax assets		75,653		223,631	
(4) Bankruptcy claims		183,771		312,276	
(5) Rent deposit		613,733		2,052,825	
(6) Long-term prepaid expenses		185,937		416,704	
(7) Others	1	175,624		482,898	
(8) Allowance for doubtful accounts		(136,603)		(214,035)	
Total investments and other assets		3,445,708	12.1	5,571,687	14.5
Total fixed assets		11,631,319	41.0	12,867,239	33.4
<b>III. Deferred Assets</b>					
1. Others		81		175	
Total deferred assets		81	0.0	175	0.0
Total assets		28,314,278	100.0	49,862,960	100.0

(Unit: '000 yen; smaller digits are rounded down)

Items	Current Fiscal Year (As of June 30, 2002)		Previous Fiscal Year (As of June 30, 2001)	
	Amount	% Total	Amount	% Total
(Liabilities)				
I. Current Liabilities				
1. Short-term borrowings	7,816,715		12,099,393	
2. Current portion of bonds	10,000		-	
3. Accrued expenses	2,441,625		2,731,449	
4. Accrued income taxes	826,561		1,625,855	
5. Accrued consumption taxes	395,986		573,376	
6. Advance received	-		3,189,183	
7. Others	727,806		1,860,036	
Total current liabilities	12,218,695	43.1	22,079,294	57.2
II. Fixed Liabilities				
1. Corporate bonds	51,000		101,000	
2. Long-term borrowings	217,192		631,688	
3. Employees retirement benefits	27,017		57,025	
4. Directors' retirement benefits	21,083		339,403	
5. Others	262,424		1,208,049	
Total fixed liabilities	578,717	2.0	2,337,165	6.1
Total liabilities	12,797,412	45.1	24,416,460	63.3
(Minority Interests)				
Minority Interests	206,966	0.7	2,001,545	5.2
(Shareholders' Equity)				
I. Paid-in capital	13,674,660		13,632,160	
II. Capital reserve	16,345,269		15,357,399	
	30,019,929	106.0	28,989,559	75.3
III. Deficits	14,692,647	(51.8)	16,980,318	(44.0)
IV. Net unrealized holding loss/gain on securities	(16,853)	(0.0)	7,264	0.0
V. Exchange conversion adjustment account	-	-	72,987	0.2
VI. Treasury stock	(529)	(0.0)	-	-
Total shareholders' equity	15,309,899	54.0	12,089,493	31.5
Total liabilities, minority interests, and shareholders' equity	28,314,278	100.0	38,507,499	100.0

**(2) Consolidated Statement of Income**

(Unit: '000 yen; smaller digits are rounded down)

Items	Note	Current Fiscal Year (From July 1, 2001 To June 30, 2002)		Previous Fiscal Year (From July 1, 2000 To June 30, 2001)			
		Amount	% Total	Amount	% Total		
I. Revenues			47,295,638	100.0	51,210,298	100.0	
II. Cost of goods sold			31,306,034	66.1	36,463,614	71.3	
Gross profit			15,989,603	33.8	14,746,683	28.7	
III. Selling, general and administrative expenses							
1. Salary and other allowances		5,702,387			3,920,886		
2. Provision for accrued employee retirement benefits		10,230			27,076		
3. Provision for accrued directors' retirement benefits		6,083			44,950		
4. Rent		1,184,460			2,749,237		
5. Communication expenses		844,105			1,369,184		
6. Amortization of consolidated adjustment account		139,362			174,567		
7. Depreciation		477,769			605,963		
8. Provision for allowance for doubtful accounts		65,464			99,348		
9. Advertising expenses		465,889			1,735,984		
10. Others		3,337,506	12,233,259	25.8	5,849,753	18,574,317	36.1
Operating Income			3,756,344	7.9		3,827,633	(7.4)
Operating Loss							
IV. Non-operating income							
1. Interest income		10,732			90,074		
2. Dividend income		47,432			-		
3. Gains on sale of marketable securities		-			692,080		
4. Subsidy on promotion of purchase on credit		-			153,179		
5. Others		62,864	121,029	0.2	125,182	1,060,516	2.0
V. Non-operating expenses							
1. Interest expenses		140,400			238,548		
2. Losses on capital investment		49,056			-		
3. Expenses associated with new share issuance		-			60,147		
4. Investment loss from application of equity method		-			490		
5. Others		29,991	219,448	0.4	62,520	361,706	0.7
Ordinary income			3,657,925	7.7		3,128,823	(6.1)
Ordinary loss							
VI. Special income							
1. Gains from the sale of fixed assets	1	614			125		
2. Gains from the sale of consolidated subsidiary shares		202,332			138,613		
3. Gains from the sale of affiliated company shares		12			-		
4. Gains from the sale of investment securities		-			2,020		
5. Gains from change of holding ratio		-			485		
6. Gains on prior year adjustments		29,495			-		
7. Gains on contributions		446,876	679,331	1.4	-	141,245	0.3
VII. Special losses							
1. Loss on disposal of fixed assets	2	219,212			47,029		
2. Loss on sale of fixed assets	3	6,742			5,154		
3. Losses on sale of consolidated subsidiary shares		138,411			33,092		
4. Losses associated with office and organizational consolidation	5	-			2,463,137		
5. Previous year's provision for directors' retirement benefits	6	-			121,000		
6. Loss on valuation of investment securities		89,800			180,763		
7. Loss on prior year adjustments		-			37,146		
8. Loss on cancellation of lease agreements		27,107			-		
9. Loss on elimination of affiliated companies		1,035	482,308	1.0	-	2,887,323	5.6
Income before income taxes			3,854,948	8.1		(5,874,902)	(11.4)
Loss before income taxes							
Income, residence and enterprise taxes		1,393,000			2,050,000		
Adjustments on income taxes		(95,889)	1,297,110	2.7	(179,763)	1,870,236	3.6
Minority interest gains			156,600	0.3		335,230	0.6
Minority interest loss							
Net income			2,401,236	5.0		7,409,908	(14.4)
Net loss							

**(3) Consolidated Statement of Retained Earnings**

(Unit: '000 yen; smaller digits are rounded down)

Items	Current Fiscal Year (From July 1, 2001 To June 30, 2002)		Previous Fiscal Year (From July 1, 2000 To June 30, 2001)	
	Amount		Amount	
I. Loss beginning balance		(16,980,318)		9,313,630
II. Decrease in losses				
Loss decrease from reduction of consolidated subsidiaries	116,651	116,651	3,374	3,374
III. Increase in losses				
Dividends	178,392		132,201	
Directors' and auditors' bonuses	33,700		127,952	
Loss increase from merger	18,123	230,216	-	260,153
IV. Net income (loss)		2,401,236		(7,409,908)
V. Loss ending balance		(14,692,647)		16,980,318

**(4) Consolidated Statement of Cash Flows**

(Unit: '000 yen; smaller digits are rounded down)

Items	Current Fiscal Year (From July 1, 2001 To June 30, 2002)	Previous Fiscal Year (From July 1, 2000 To June 30, 2001)
	Amount	Amount
<b>I. Cash flows from operating activities</b>		
Income/(loss) before income taxes	3,854,948	(5,874,902)
Depreciation and amortization expenses	649,559	817,734
Gains from sale of fixed assets	(614)	(125)
Loss from removal/sale of fixed assets	225,588	335,229
Amortization of consolidation adjustment accounts	139,362	174,567
Amortization of long-term prepaid expenses	57,050	122,690
Increase in allowance for doubtful accounts	46,634	56,492
Increase in reserve for retirement benefits	8,785	57,025
Increase in reserve for retirement salaries	-	(43,510)
Increase in reserve for retirement benefits for directors and auditors	1,416	165,950
Interest and dividend income	(58,165)	(91,632)
Interest expenses	140,400	238,548
Investment loss from the application of equity method	-	490
Investment loss from the application of equity method	49,056	-
Gains from sale of marketable securities	-	(692,080)
Gains from sale of affiliate company shares	(202,344)	-
Loss from sale of affiliate company shares	178,183	-
Gains from sale of investment securities	-	(140,633)
Loss from sale of investment securities	-	33,092
Valuation losses on investment securities	89,800	180,763
Expenses associated with new share issuance	-	60,147
Loss from changes in holding ratio	-	(485)
Increase in trade notes and accounts receivable	236,176	68,584
Increase in accrued revenues	(933,965)	(1,207,951)
Increase in loans receivable	367,700	3,210,819
Increase in investment securities	(1,235,559)	21,689
Increase in inventory	1,171	86,029
Increase in rent deposit	124,713	192,480
Increase in accrued expenses	618,643	(4,541,047)
Others	(1,398,409)	414,709
Subtotal	2,960,135	(6,355,325)
Receipt of interest and dividend	58,165	49,477
Interest payments	(141,013)	(232,530)
Income tax payments	(2,055,628)	(1,765,445)
Net cash from operating activities	821,658	(8,303,823)
<b>II. Cash flows from investing activities</b>		
Expenditure on remittance to time deposits	(31,203)	(37,350)
Proceeds from sale of marketable securities	-	693,842
Proceeds from sale of investment securities	12,964	383,689
Expenditure on acquisition of investment securities	(35,884)	(344,776)
Proceeds from sale of subsidiary shares due to changes in scope of consolidation	1,619,484	-
Expenditure on acquisition of subsidiary shares due to	(6,627,354)	162,971
Expenditure on acquisition of tangible fixed assets	(450,768)	-
Proceeds from sale of tangible fixed assets	5,643	(1,646,152)
Expenditure on acquisition of intangible fixed assets	(153,003)	(459,721)
Expenditure due to lending	(157,316)	(823,072)
Proceeds from recovery of loans	631,023	408,537
Others	(36,308)	(77,277)
Net cash from investing activities	(5,222,723)	(1,739,309)
<b>III. Cash flows from financing activities</b>		
Net increase in short-term borrowings	(1,059,437)	(662,115)
Proceeds from receiving long-term borrowings	(620,995)	2,780,728
Expenditure on repayment of long-term borrowings	532,720	(2,367,278)
Proceeds from new share issuance	(10,000)	-
Others	(179,622)	(202,048)
Net cash from financing activities	(1,337,335)	(450,714)
<b>IV. Effect of exchange rate changes on cash and cash equivalents</b>	-	78,729
<b>V. Increase in cash and cash equivalents</b>	(5,738,399)	(10,415,117)
<b>VI. Cash and cash equivalents beginning balance</b>	12,771,552	23,186,669
<b>VII. Cash and cash equivalents ending balance</b>	7,033,152	12,771,552

**(5) Important basis of presenting consolidated financial statements**

Items	Current Fiscal Year (From July 1, 2001 To June 30, 2002)	Previous Fiscal Year (From July 1, 2000 To June 30, 2001)
1. Scope of consolidation	<p>Consolidated subsidiaries are the following three entities.</p> <p>Goodwill Career, Inc. (Note 1)</p> <p>COMSN, Inc. (Note 2)</p> <p>Soar, Inc. (Note 3)</p> <p>(Note 1) Goodwill Career, Inc. merged with Goodwill Foresight, Inc. on July 1, 2001, and with Goodwill Express, Inc. on January 1, 2002.</p> <p>(Note 2) COMSN, Inc. merged with Dental COMSN, Inc. and Medica, Inc. on January 1, 2002 (the surviving entity being COMSN).</p> <p>(Note 3) Line-Up, Inc. became a wholly-owned subsidiary of the Company through share exchange effective September 1, 2001, and has been included in the scope of consolidation as of the current fiscal period. Additionally, its subsidiary, Soar Promotion, Inc., has also been included in the scope of consolidation from the current fiscal period. On January 1, 2002, Line-Up, Inc. was merged with the Company and Soar Promotion, Inc. was renamed Soar, Inc.</p> <p>The Company sold all shares of former subsidiary, Goodwill Communication, Inc., on July 2, 2001. As such, Goodwill Communications, Inc., and its subsidiaries of GCM International Ltd., Web-Logistic.com Korea Inc., Web-Logistic.com (Asia Pacific) Ltd., Global Net Relations Pte. Ltd., Web-Fulfilment Center (Singapore) Pte. Ltd.,</p>	<p>Consolidated subsidiaries are the following twenty two entities.</p> <p>Goodwill Career, Inc.</p> <p>Goodwill Communication, Inc.</p> <p>GW Capital, Inc.</p> <p>Goodwill Express, Inc. (Note)</p> <p>Goodwill Foresight, Inc.</p> <p>GCM International Limited</p> <p>Web-Logistic.com Korea Inc.</p> <p>Web-Logistic.com (Asia Pacific) Ltd.</p> <p>Global Net Relations. Pte. Ltd.</p> <p>Web-Fulfilment Center (Singapore) Pte. Ltd.</p> <p>GW Credit, Inc.</p> <p>COMSN, Inc.</p> <p>COMSN Press, Inc. (Note)</p> <p>Medica, Inc.</p> <p>Clique, Inc.</p> <p>Dental COMSN, Inc.</p> <p>Apollo International, Inc.</p> <p>Clique International Ltd.</p> <p>Clique Beauty Training Center</p> <p>Platinum Santa, Inc.</p> <p>Sidework, Inc.</p> <p>Multi-technology, Inc.</p> <p>(Note) Company names were changed from High Touch, Inc. to Goodwill Express, Inc. effective September 22, 2000, and from COMSN Kagoshima, Inc. to COMSN Press, Inc. effective August 11, 2000.</p> <p>We-Logistic.com Korea Inc., Web-Logistic.com</p>

	<p>and Multi-technology, Inc. have been eliminated from consolidation.</p> <p>On July 2, 2001, the Company sold a part of the Clique, Inc. shares it held. As such, Clique, Inc. and its subsidiaries of Apollo International, Inc., Clique International Ltd., Clique Beauty Training Center, and Platinum Santa, Inc. were eliminated from consolidation.</p> <p>GW Credit, Inc. merged with GW Capital, Inc. on January 1, 2002 (the surviving entity being GW Capital). The Company subsequently sold all shares of GW Capital on April 1, 2002. The profits/losses of GW Capital between July 2001 and March 2002 are reflected in the consolidated financial statements.</p>	<p>(Asia Pacific) Ltd. and Global Net Relations Pte. Ltd. are the newly established overseas subsidiaries of Goodwill Communication, Inc. Their profits/losses from the dates of establishment to March 2001 are reflected in the consolidated financial statements. As Fulfillmentcenter.com (Singapore) Pte Ltd. became a subsidiary in November 2000, its profits/losses from December 2000 to March 2001 are reflected in the consolidated financial statements. Multi-technology, Inc. which was an affiliated company accounted for by the equity method in November and December 2000 was included in the scope of consolidation as of January 2001 upon applying the standards for effective control.</p> <p>With regard to COMSN's subsidiaries, COMSN Foodscope, Inc. and COMSN Travel, Inc., all shares of COMSN Foodscope and partial shares of COMSN Travel were sold in December 2000 and March 2001 respectively. The profits/losses of these entities up to December 2000 are reflected in the consolidated financial statements.</p>
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Items	Current Fiscal Year (From July 1, 2001 To June 30, 2002)	Previous Fiscal Year (From July 1, 2000 To June 30, 2001)
<p>2. Scope of Application of Equity Method</p>	<p>On June 20, 2002, the Company sold all shares of its consolidated subsidiaries, Sidework, Inc. and COMSN Press, Inc. The two entities are eliminated from the scope of consolidation as of the end of the current consolidated term.</p> <p>Ru yu bang ren li gufen Co., Ltd., the Company's overseas subsidiary, is excluded from the scope of consolidation as it has only been recently established and its total assets, revenues, net income, and retained earnings do not have material impact on the Group's consolidated financial statements.</p> <p>Big West, Inc., a subsidiary of Line-Up Inc., has been eliminated from the scope of consolidation as the entity was dissolved as of December 28, 2001.</p> <p>Non-consolidated subsidiaries not accounted for by the equity method: 1 Ru yi bang ren li gufen Co., Ltd.</p> <p>(Basis for not applying the equity method) The equity method is not applied as the subject entity has only been recently established and has no material impact on consolidated net income or retained earnings.</p> <p>Data Communications, Inc. accounted for by the equity method at previous consolidated fiscal yearend is no longer accounted for as the Company sold all interests in the entity.</p>	<p>The Company partially sold shares of Data Communications, Inc., a subsidiary of GW Capital, Inc. in June 2001, excluding the entity from consolidation. Subject entity's profits/losses up to June 2001 are reflected in the consolidated financial statements.</p> <p>(1) Non-consolidated subsidiaries accounted for by the equity method: 1 Multi-technology, Inc.</p> <p>(2) Multi-technology, Inc. was accounted for by the equity method from November to December 2000.</p>
<p>3. Fiscal periods</p>	<p>The fiscal periods of the Company's</p>	<p>Of the consolidated subsidiaries, the fiscal</p>

<p>for the consolidated subsidiaries</p>	<p>consolidated subsidiaries are the same as the consolidated fiscal period.</p>	<p>closing dates for COMSN Press, Inc., Medica, Inc., GCM International Ltd., Web-Logistic.com Korea Inc., Web-Logistic (Asia Pacific) Ltd., Global Net Relations. Pte. Ltd., and Clique International Ltd. are March 31. When preparing the consolidated financial statements, COMSN Press and Medica provide financial statements that are based on the provisional settlement conducted effective consolidated fiscal yearend. With regard to GCM International Ltd., Web-Logistic.com Korea Inc., Web-Logistic (Asia Pacific) Ltd., Global Net Relations. Pte. Ltd., and Clique International Ltd., their financial statements as of individual fiscal closing dates are applied and necessary adjustments are made in the event important transactions occur between the individual and consolidated closing dates.</p>
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Items	Current Fiscal Year (From July 1, 2001 To June 30, 2002)	Previous Fiscal Year (From July 1, 2000 To June 30, 2001)
4. Accounting principles		
(1) Valuation standard and method for significant assets	<p>a) Marketable securities</p> <p>(i) Other marketable securities</p> <p>Those that have fair market values:</p> <p>Marked-to-market at the end of fiscal period (Unrealized gains and losses from the reevaluation are directly charged or credited to the shareholders' equity, and the book value of securities sold is calculated by using moving average.)</p> <p>Those that have no fair market values:</p> <p>Stated as cost using moving average.</p> <p>b) Inventory</p> <p>Goods, stocks</p> <p>Primarily stated as cost using gross average method.</p>	<p>a) Marketable securities</p> <p>(i) Other marketable securities</p> <p>Same as left.</p> <p>b) Inventory</p> <p>Goods, stocks</p> <p>Same as left.</p>
(2) Depreciation method of significant depreciable assets	<p>a) Tangible fixed assets</p> <p>Declining balance method.</p> <p>With regard to useful life and residual value, the same basis as that of the method set forth by the Corporation Tax Law is applied.</p> <p>However, assets with acquisition costs over 100,000 yen and below 200,000 yen are depreciated uniformly over a three year period.</p> <p>b) Intangible fixed assets</p> <p>Straight line method.</p> <p>With regard to useful life, the same basis as that</p>	<p>a) Tangible fixed assets</p> <p>Same as left.</p> <p>b) Intangible fixed assets</p> <p>Same as left.</p>

	<p>of the method set forth by the Corporation Tax Law is applied.</p> <p>However, software (for internal use) is amortized by straight line method over the expected available periods (5 years).</p> <p>c) Long-term prepaid expenses</p> <p>Straight line method.</p> <p>The same basis as that of the method set forth by the Corporation Tax Law is applied.</p> <p>d) Deferred assets</p> <p>Costs associated with new stock issuances are all recorded at the time of actual expenditure.</p>	<p>c) Long-term prepaid expenses</p> <p>Same as left.</p> <p>d) Deferred assets</p> <p>Same as left.</p>
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Items	Current Fiscal Year (From July 1, 2001 To June 30, 2002)	Previous Fiscal Year (From July 1, 2000 To June 30, 2001)
(3) Accounting for significant allowances	<p>a) Allowance for doubtful accounts</p> <p>To reserve for potential credit losses on receivables, allowances are provided for potential losses on general credits by estimating uncollectible amounts using historical rates. For potential losses on specific problematic credits such as doubtful accounts and bad loans, allowances are provided for by estimating uncollectible amounts through the assessment of individual collectibility.</p> <p>b) Allowance for retirement benefits</p> <p>To provide for the employees' retirement benefits, reserve for retirement benefits is recorded based on the projected retirement benefit obligations up to the end of current consolidated fiscal year.</p> <p>c) Allowance for retirement benefits for directors and auditors.</p> <p>To provide for the payment of retirement benefits for fulltime directors and auditors, reserve for such benefits are recorded, as per the Company's internal regulations, on the basis of actual amount needed up to the end of current fiscal yearend.</p>	<p>a) Allowance for doubtful accounts</p> <p>Same as left.</p> <p>b) Allowance for retirement benefits</p> <p>Same as left.</p> <p>c) Allowance for retirement benefits for directors and auditors.</p> <p>To provide for the payment of retirement benefits for fulltime directors and auditors, the Company and certain consolidated subsidiaries record reserves for such benefits in compliance with the internal regulations and on the basis of actual amount needed up to the end of current fiscal yearend. Certain other consolidated subsidiaries count the previous term's effective amounts proportionately over a period of three years.</p>
(4) Important standards for		Foreign currency denominated receivables and payables are converted to yen applying the spot

converting foreign  
currency  
denominated  
assets/liabilities  
into yen



exchange rate of the consolidated fiscal closing date, and exchange differences are recorded as gains/losses. Assets/liabilities of overseas subsidiaries are converted to yen applying the spot exchange rate of the consolidated fiscal closing date. Earnings and expenses are converted using the term's average exchange rate and differences are recorded under the exchange conversion adjustment account in the shareholders' equity section.

Items	Current Fiscal Year (From July 1, 2001 To June 30, 2002)	Previous Fiscal Year (From July 1, 2000 To June 30, 2001)
(5) Treatment of significant lease transactions	With respect to the financial lease transactions that do not involve the transfer of ownership of the leased assets to lessee, such transactions are treated in accordance with the accounting method applied to ordinary lease transactions.	Same as left.
(6) Important hedge accounting method	<hr/>	<p>a) Hedge accounting method</p> <p>As interest rate cap transactions conducted by the Company and certain subsidiaries qualify for special accounting treatment, such accounting treatment is applied.</p> <p>b) Means and object of hedging</p> <p>Means of hedging: interest rate cap Object of hedging: variable interests on borrowings</p> <p>c) Hedging policy</p> <p>Interest rate cap is used for the purpose of hedging interest rate fluctuation risks.</p> <p>d) Risk management method</p> <p>Hedging is conducted only when such arrangement is actually required in the corresponding business transaction. The Company does not permit speculative trades for the purpose of generating trading profits.</p>
(7) Other significant items	a) Accounting treatment of consumption tax  Taxes are excluded in the accounting treatment of consumption and local consumption taxes.	a) Accounting treatment of consumption tax  Same as left.
5. Valuation of assets and liabilities of	With respect to the valuation of assets and liabilities of the consolidated subsidiaries, the all fair value method is applied.	Same as left.

consolidates subsidiaries		
6. Amortization of consolidation adjustment accounts	Consolidation adjustment accounts are amortized by straight line method over a period of 20 years.	Consolidation adjustment accounts are amortized by straight line method over a period of either 5 or 20 years.
7. Treatment of earnings appropriation items	The consolidated statement of retained earnings is prepared based on the earnings appropriation/loss write-off plans for the consolidated companies determined during the consolidated fiscal year.	Same as left.
8. Scope of the definition of "fund" in the consolidated statement of cash flows	"Fund" (cash and cash equivalents) as defined in the consolidated statement of cash flows includes cash in hand, deposits that are readily available for withdrawal, and short-term investment securities with maturity of less than three months from the date of purchase that are easily exchangeable into cash and have marginal volatility risks.	Same as left.

**(6) Additional information**

Current Fiscal Year (From July 1, 2001 To June 30, 2002)	Previous Fiscal Year (From July 1, 2000 To June 30, 2001)
<hr/>	<p>1. Application of Financial Product Accounting</p> <p>With respect to financial products, financial standards for financial products ("Opinion Relating to the Establishment of Accounting Standards for Financial Products" (January 11, 1999, Business Accounting Council)) have been adopted from the current consolidated fiscal year.</p> <p>By this adoption, the valuation method applied to securities has been changed. With this change, compared with the results had the historically used method been applied, Ordinary Losses declined by ¥15,689 thousand and the Net Losses before Adjustment for Taxes also declined by the same amount.</p> <p>Securities held at the beginning of the fiscal year were reviewed with respect to the investment objectives and Other Securities have been presented as Investment Securities. As a result, Securities declined by ¥150,000 thousand and Investment Securities totaled ¥150,000 thousand.</p> <p>2. Adoption of Retirement Benefits Accounting</p> <p>As of the current consolidated fiscal year, accounting standards relating to retirement benefits ("Opinion Relating to Establishment of Accounting Standards for Retirement Benefits" (Business Accounting Council June 16, 1998)) has been adopted.</p> <p>With its adoption, there is no effect on Recurring Income compared with the results had the historically used method</p>

	<p>been applied.</p> <p>Reserve for Retirement Pay has been included in the Reserve for Retirement Benefits.</p> <p>3. Accounting Treatment for Foreign Currency Denominated Transactions</p> <p>As of the current consolidated fiscal year, the amended Accounting Standards for Foreign Currency Denominated Transactions (“Opinion Relating to the Establishment of Accounting Standards for Retirement Benefits” (Business Accounting Council October 22, 1999)) has been adopted.</p> <p>With its adoption, there is no effect on Recurring Income compared with the results had the historically used method been applied.</p> <p>The presentation of the “Foreign Exchange Conversion Adjustment Account” included in the “Assets” section in the previous consolidated year, has been changed to include the account into “Capital” section in the current consolidated fiscal year statements (current consolidated fiscal year value of ¥123,487 thousand) due to amendments to the Rules for Consolidated Financial Statements.</p>
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**(7) Changes in the presentation of the financial statements**

Current Fiscal Year (From July 1, 2001 To June 30, 2002)	Previous Fiscal Year (From July 1, 2001 To June 30, 2002)
<p>(Consolidated Balance Sheet)</p> <p>Historically, "Advances Received" had been presented as an independent classification in the Current Liabilities section. But as the amount has become less than five one hundredth of the aggregate of Liabilities, Minority Interest and Capital, it has been included in "Other" from the current consolidated fiscal year. Advances Received included in "Other" as of end of the current consolidated fiscal year were ¥43,186 thousand.</p> <p>(Consolidated Statement of Income)</p> <p>Historically, "Dividend Income" had been included in "Other" in Non-Operating Income. But as the amount has exceeded ten one hundredth of Non-Operating Income, it has been presented as a separate independent classification from the current consolidated fiscal year. Dividend Income included in "Other" in Non-Operating Income in the prior consolidated year Consolidated Statement of Income was ¥1,558 thousand.</p>	<hr style="width: 20%; margin: auto;"/>

**(8) Notes to the financial statements**

**(Consolidated balance sheet)**

As of the End of the Current Fiscal Year (As of June 30, 2002)	As of the End of Previous Fiscal Year (As of June 30, 2001)																
<p>1. 1 Collateralized assets and their corresponding liabilities are as follows.</p> <p>(1) Collateralized assets ('000 Yen)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Cash and deposits</td> <td style="text-align: right;">1,304,800</td> </tr> <tr> <td>Land</td> <td style="text-align: right;">91,299</td> </tr> <tr> <td>Investments and other</td> <td></td> </tr> <tr> <td><u>assets " Others"</u></td> <td style="text-align: right;"><u>13,577</u></td> </tr> </table>	Cash and deposits	1,304,800	Land	91,299	Investments and other		<u>assets " Others"</u>	<u>13,577</u>	<p>1. 1 Collateralized assets and their corresponding liabilities are as follows.</p> <p>(1) Collateralized assets ('000 Yen)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Cash and deposits</td> <td style="text-align: right;">4,690,000</td> </tr> <tr> <td>Buildings</td> <td style="text-align: right;">105,740</td> </tr> <tr> <td><u>Land</u></td> <td style="text-align: right;"><u>62,428</u></td> </tr> <tr> <td style="text-align: right;">Total</td> <td style="text-align: right;">4,858,168</td> </tr> </table>	Cash and deposits	4,690,000	Buildings	105,740	<u>Land</u>	<u>62,428</u>	Total	4,858,168
Cash and deposits	1,304,800																
Land	91,299																
Investments and other																	
<u>assets " Others"</u>	<u>13,577</u>																
Cash and deposits	4,690,000																
Buildings	105,740																
<u>Land</u>	<u>62,428</u>																
Total	4,858,168																

Total	1,409,676	(2) Corresponding liabilities	
(2) Corresponding liabilities			('000 Yen)
	('000 Yen)	Short-term borrowings	3,238,200
Short-term borrowings	1,185,650	<u>Long-term borrowings</u>	<u>533,800</u>
<u>Long-term borrowings</u>	<u>163,998</u>	Total	3,772,000
Total	1,349,648		
2. 2 Investment securities associates with affiliated companies are as follows.			
Investment securities			
(Stocks)('000 Yen)	24,000		
3. 3 Notes maturing at the end of the current fiscal year are settled on the note clearance dates.		2. 3 Notes maturing at the end of the current fiscal year are settled on the note clearance dates.	
As the ending date of the current consolidated fiscal period fell on a bank holiday, the following matured notes were included in the current term ending balance.		As the ending date of the current consolidated fiscal period fell on a bank holiday, the following matured notes were included in the current term ending balance.	
Notes receivable ('000 yen)	22,101	Notes receivable ('000 yen)	2,438

**(Consolidated statement of income)**

Current Fiscal Year (From July 1, 2001 To June 30, 2002)	Previous Fiscal Year (From July 1, 2000 To June 30, 2001)
<p>1. 1 The breakdown of "gains from the sale of fixed assets" is as follows.</p> <p>Furniture and fixtures (‘000 Yen) 614</p>	<p>1. 1 The breakdown of "gains from the sale of fixed assets" is as follows.</p> <p>Furniture and fixtures (‘000 Yen) 125</p>
<p>2. 2 The breakdown of "loss on disposal of fixed assets" is as follows.</p> <p style="text-align: right;">(‘000 Yen)</p> <p>Buildings 12,959</p> <p>Furniture and fixtures 3,299</p> <p>Software 75,000</p> <p>Long-term prepaid expenses 126,469</p> <p><u>Cars and transport vehicles 1,484</u></p> <p>Total: 219,212</p>	<p>2. 2 The breakdown of "loss on disposal of fixed assets" is as follows.</p> <p style="text-align: right;">(‘000 Yen)</p> <p>Buildings 28,731</p> <p>Furniture and fixtures 8,297</p> <p><u>Software 10,000</u></p> <p>Total: 47,029</p>
<p>3. 3 The breakdown of "loss on sale of fixed assets" is as follows.</p> <p style="text-align: right;">(‘000 Yen)</p> <p>Furniture and fixtures 3,874</p> <p><u>Cars and transport vehicles 2,867</u></p> <p>Total: 6,742</p>	<p>3. 3 The breakdown of "loss on sale of fixed assets" is as follows.</p> <p style="text-align: right;">(‘000 Yen)</p> <p>Furniture and fixtures 1,622</p> <p>Cars and transport vehicles 3,362</p> <p><u>Telephone subscription rights 169</u></p> <p>Total: 5,154</p>
	<p>4. 4 Losses associated with office and organizational consolidation include temporary losses incurred by certain consolidated subsidiaries in connection with their business restructuring efforts. The breakdown of subject losses is as follows.</p> <p style="text-align: right;">(‘000 Yen)</p> <p>Special retirement allowance 233,613</p> <p>Losses on cancellation of rent agreements 348,434</p> <p>Losses on cancellation of</p>

	lease contracts	1,019,365
	Fees on moving/disposing	
	fixtures and others	138,804
	Lump-sum amortization of	
	long-term prepaid expenses	65,140
	Losses on building removal	44,450
	Losses on disposal of	
	furniture and fixtures	568,040
	<u>Others</u>	<u>45,288</u>
	Total	2,463,137

**(Consolidated statement of cash flows)**

Current Fiscal Year (From July 1, 2001 To June 30, 2002)	Previous Fiscal Year (From July 1, 2000 To June 30, 2001)																										
<p>1. The reconciliation between the balance of cash and cash equivalents at the end of the fiscal year and the amount listed in the consolidated balance sheet is as follows.</p> <p style="text-align: right;">('000 Yen)</p> <table> <tr> <td>Cash and deposits</td> <td style="text-align: right;">7,071,706</td> </tr> <tr> <td>Time deposits with maturity in excess of 3 months</td> <td style="text-align: right;"><u>(38,553)</u></td> </tr> <tr> <td>Total cash and cash equivalents</td> <td style="text-align: right;"><u>7,033,152</u></td> </tr> </table>	Cash and deposits	7,071,706	Time deposits with maturity in excess of 3 months	<u>(38,553)</u>	Total cash and cash equivalents	<u>7,033,152</u>	<p>2. The reconciliation between the balance of cash and cash equivalents at the end of the fiscal year and the amount listed in the consolidated balance sheet is as follows.</p> <p style="text-align: right;">('000 Yen)</p> <table> <tr> <td>Cash and deposits</td> <td style="text-align: right;">17,885,751</td> </tr> <tr> <td>Marketable securities</td> <td style="text-align: right;">5,452,418</td> </tr> <tr> <td><u>Stocks</u></td> <td style="text-align: right;"><u>(151,500)</u></td> </tr> <tr> <td>Total cash and cash equivalents</td> <td style="text-align: right;"><u>23,186,669</u></td> </tr> </table>	Cash and deposits	17,885,751	Marketable securities	5,452,418	<u>Stocks</u>	<u>(151,500)</u>	Total cash and cash equivalents	<u>23,186,669</u>												
Cash and deposits	7,071,706																										
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Total cash and cash equivalents	<u>23,186,669</u>																										
<p>2. Breakdown of principal assets and liabilities of companies newly consolidated through share acquisition</p> <p>Reconciliation between the assets/liabilities breakdown at the time of entity's inclusion to consolidation via share acquisition by the Company and the share acquisition price along with corresponding expenditure (net amount) is as follows.</p> <p>Line-Up, Inc. and its subsidiary</p> <p style="text-align: right;">(As of June 30, 2001)</p> <p style="text-align: right;">('000 Yen)</p> <table> <tr> <td>Current assets</td> <td style="text-align: right;">2,819,022</td> </tr> <tr> <td>Fixed assets</td> <td style="text-align: right;">543,052</td> </tr> <tr> <td>Current liabilities</td> <td style="text-align: right;">2,003,521</td> </tr> <tr> <td>Fixed liabilities</td> <td style="text-align: right;">290,752</td> </tr> <tr> <td>Cash and cash equivalents of Line-Up and its subsidiary</td> <td style="text-align: right;"><u>1,619,484</u></td> </tr> </table>	Current assets	2,819,022	Fixed assets	543,052	Current liabilities	2,003,521	Fixed liabilities	290,752	Cash and cash equivalents of Line-Up and its subsidiary	<u>1,619,484</u>	<p>3. Breakdown of principal assets and liabilities of companies consolidated through share acquisition</p> <p>Reconciliation between the assets/liabilities breakdown at the time of entity's inclusion to consolidation via share acquisition by the Company and the share acquisition price along with corresponding expenditure (net amount) is as follows.</p> <p>COMSN, Inc. and its subsidiaries</p> <p style="text-align: right;">(As of July 31, 1999)</p> <p style="text-align: right;">('000 Yen)</p> <table> <tr> <td>Current assets</td> <td style="text-align: right;">1,014,901</td> </tr> <tr> <td>Fixed assets</td> <td style="text-align: right;">273,296</td> </tr> <tr> <td>Deferred assets</td> <td style="text-align: right;">451</td> </tr> <tr> <td>Consolidated adjustment account</td> <td style="text-align: right;">546,902</td> </tr> <tr> <td>Current liabilities</td> <td style="text-align: right;">(205,690)</td> </tr> <tr> <td>Fixed liabilities</td> <td style="text-align: right;">(894,412)</td> </tr> <tr> <td>Minority interest</td> <td style="text-align: right;"><u>(34,775)</u></td> </tr> <tr> <td>Acquisition cost of</td> <td></td> </tr> </table>	Current assets	1,014,901	Fixed assets	273,296	Deferred assets	451	Consolidated adjustment account	546,902	Current liabilities	(205,690)	Fixed liabilities	(894,412)	Minority interest	<u>(34,775)</u>	Acquisition cost of	
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Acquisition cost of																											

Funds received	<u>1,619,484</u>	COMSN shares	700,675
		Cash and cash equivalents of COMSN and its subsidiaries	<u>(884,972)</u>
		Balance: Expenditure to acquire COMSN, Inc.	<u>(184,297)</u>
		Clique, Inc. and its subsidiaries	
		(As of February 28, 2000)	
		('000 Yen)	
		Current assets	7,712,516
		Fixed assets	2,855,767
		Deferred assets	1,187
		Consolidated adjustment account	1,288,394
		Current liabilities	(6,115,766)
		Fixed liabilities	(1,533,174)
		Minority interest	<u>(1,808,165)</u>
		Acquisition cost of Clique shares	2,400,760
		Cash and cash equivalents of Clique and its subsidiaries	<u>(5,941,572)</u>
		Balance: Expenditure to acquire Clique, Inc.	<u>(3,540,812)</u>

Current Fiscal Year (From July 1, 2001 To June 30, 2002)	Previous Fiscal Year (From July 1, 2000 To June 30, 2001)																																				
<p>3. Breakdown of principal assets and liabilities of companies excluded from consolidation through sale of shares</p> <hr style="width: 20%; margin-left: auto; margin-right: 0;"/> <p>Goodwill Communication, Inc. and its subsidiaries (As of June 30, 2001) (‘000 Yen)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Current assets</td> <td style="text-align: right;">2,349,067</td> </tr> <tr> <td>Fixed assets</td> <td style="text-align: right;"><u>1,681,922</u></td> </tr> <tr> <td>Total assets</td> <td style="text-align: right;"><u>4,030,990</u></td> </tr> <tr> <td>Current liabilities</td> <td style="text-align: right;">2,870,153</td> </tr> <tr> <td>Fixed liabilities</td> <td style="text-align: right;"><u>192,995</u></td> </tr> <tr> <td>Total liabilities</td> <td style="text-align: right;"><u>3,063,149</u></td> </tr> </table> <p>Clique, Inc. and its subsidiaries (As of June 30, 2001) (‘000 Yen)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Current assets</td> <td style="text-align: right;">6,809,109</td> </tr> <tr> <td>Fixed assets</td> <td style="text-align: right;"><u>4,694,819</u></td> </tr> <tr> <td>Total assets</td> <td style="text-align: right;"><u>11,503,928</u></td> </tr> <tr> <td>Current liabilities</td> <td style="text-align: right;">7,476,321</td> </tr> <tr> <td>Fixed liabilities</td> <td style="text-align: right;"><u>1,443,887</u></td> </tr> <tr> <td>Total liabilities</td> <td style="text-align: right;"><u>8,920,209</u></td> </tr> </table> <p>GW Capital, Inc. (As of June 30, 2001) (‘000 Yen)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Current assets</td> <td style="text-align: right;">5,747,591</td> </tr> <tr> <td>Fixed assets</td> <td style="text-align: right;"><u>225,196</u></td> </tr> <tr> <td>Total assets</td> <td style="text-align: right;"><u>5,972,787</u></td> </tr> <tr> <td>Current liabilities</td> <td style="text-align: right;">2,206,122</td> </tr> <tr> <td>Fixed liabilities</td> <td style="text-align: right;"><u>750,000</u></td> </tr> <tr> <td>Total liabilities</td> <td style="text-align: right;"><u>8,920,209</u></td> </tr> </table>	Current assets	2,349,067	Fixed assets	<u>1,681,922</u>	Total assets	<u>4,030,990</u>	Current liabilities	2,870,153	Fixed liabilities	<u>192,995</u>	Total liabilities	<u>3,063,149</u>	Current assets	6,809,109	Fixed assets	<u>4,694,819</u>	Total assets	<u>11,503,928</u>	Current liabilities	7,476,321	Fixed liabilities	<u>1,443,887</u>	Total liabilities	<u>8,920,209</u>	Current assets	5,747,591	Fixed assets	<u>225,196</u>	Total assets	<u>5,972,787</u>	Current liabilities	2,206,122	Fixed liabilities	<u>750,000</u>	Total liabilities	<u>8,920,209</u>	
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**(Significant subsequent events)**

Current Fiscal Year (From July 1, 2001 To June 30, 2002)	Previous Fiscal Year (From July 1, 2000 To June 30, 2001)												
	<p>1. Subsidiary movements</p> <p>a) Sale of all shares of Goodwill Communication, Inc.</p> <p>On July 2, 2001, the Company sold all shares of its subsidiary, Goodwill Communication, Inc. (6,000 shares; 302.201 million yen in book value) As such, the entity is no longer a subsidiary of the Company. Concurrently, Goodwill Communication's subsidiaries, GCM International Ltd., Web-Logistic.com Korea Inc., Web-Logistic.com (Asia Pacific) Ltd., Global Net Relations. Pte. Ltd., Web-Fulfillment Center (Singapore) Pte. Ltd. and Multi-technology, Inc. have also been eliminated from the scope of consolidation.</p> <p>The consolidated financial position and operating results of Goodwill Communication, Inc. and its subsidiaries for the term ending June 2001 were as follows.</p> <table data-bbox="853 1317 1292 1601"> <thead> <tr> <th></th> <th style="text-align: right;">('000 Yen)</th> </tr> </thead> <tbody> <tr> <td>Revenues</td> <td style="text-align: right;">2,694,109</td> </tr> <tr> <td>Recurring Income</td> <td style="text-align: right;">(95,865)</td> </tr> <tr> <td>Net income</td> <td style="text-align: right;">(297,997)</td> </tr> <tr> <td>Total assets</td> <td style="text-align: right;">4,030,990</td> </tr> <tr> <td>Net assets</td> <td style="text-align: right;">855,382</td> </tr> </tbody> </table> <p>b) Partial sale of Clique, Inc. shares</p> <p>On July 2, 2001, the Company sold a portion (480 shares; 1,225.92 million yen in book value) of the shares of consolidated subsidiary, Clique, Inc. it owned (total of 940 shares; 2,400.76 million yen in book value), reducing its interest in the entity from 40.1% to 19.6%. As such, Clique, Inc. is no longer a</p>		('000 Yen)	Revenues	2,694,109	Recurring Income	(95,865)	Net income	(297,997)	Total assets	4,030,990	Net assets	855,382
	('000 Yen)												
Revenues	2,694,109												
Recurring Income	(95,865)												
Net income	(297,997)												
Total assets	4,030,990												
Net assets	855,382												

consolidated subsidiary or is accounted for by the equity method. Likewise, Clique's subsidiaries, Apollo International, Inc., Clique International Ltd., Clique Beauty Training Center, and Platinum Santa are no longer consolidated subsidiaries of the Company or are accounted for by the equity method.

The consolidated financial position and operating results of Clique, Inc. and its subsidiaries for the term ending June 2001 were as follows.

	('000 Yen)
Revenues	12,944,332
Recurring Income	298,413
Net income	(123,357)
Total assets	11,503,942
Net assets	2,583,732

Current Fiscal Year (From July 1, 2001 To June 30, 2002)	Previous Fiscal Year (From July 1, 2000 To June 30, 2001)		
<hr/>	<p>c) Line-Up, Inc. made a wholly-owned subsidiary through share exchange</p> <p>In accordance with the resolution at the board of directors meeting held on July 9, 2001, a share exchange agreement as prescribed in Article 352 of the Commercial Code was concluded as follows.</p> <p>(i) The company that was made a wholly-owned subsidiary</p> <p style="margin-left: 40px;">Name: Line-Up, Inc.</p> <p style="margin-left: 40px;">Address: Shibuya-ku, Tokyo</p> <p style="margin-left: 40px;">Representative: Koshiro Onishi Representative Director and President</p> <p style="margin-left: 40px;">Paid-in capital: 63,300,000 yen</p> <p style="margin-left: 40px;">Business profile: light labor subcontracting</p> <p>(ii) Date of share exchange: September 1, 2001</p> <p>(iii) Number of shares issues at the time of share exchange: 8,500 shares</p> <p>(iv) Starting date for calculating dividends on new shares: July 1, 2001</p> <p>(v) Others</p> <p>As per the terms stipulated in article 358 clause 1 of the Commercial Code, the share exchange was conducted without receiving shareholders meeting approval on the subject share exchange agreement.</p> <p>The consolidated financial position and operating results of Line-Up, Inc. and its subsidiaries for the term ending March 2001 were as follows.</p> <p style="text-align: right;">('000 Yen)</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 60%; border: none;">Revenues</td> <td style="width: 40%; border: none; text-align: right;">7,045,590</td> </tr> </table>	Revenues	7,045,590
Revenues	7,045,590		

	Recurring Income	549,822
	Net income	232,741
	Total assets	3,627,043
	Net assets	1,023,613

**(Per share information)**

Current Fiscal Year (From July 1, 2001 To June 30, 2002)		Previous Fiscal Year (From July 1, 2000 To June 30, 2001)	
Net asset per share	¥82,860.82	Net asset per share	¥68,321.39
Earning per share (EPS)	¥13,100.01	Earning per share (EPS)	¥42,580.26
While a subscription rights-method Stock Option Program was already in place during the term, the fully diluted EPS is not indicated as premiums associated with subject rights did not emerge and as the Company posted net loss for the term.		While a subscription rights-method Stock Option Program was already in place during the term, the fully diluted EPS is not indicated as premiums associated with subject rights did not emerge and as the Company posted net loss for the term.	

## (Lease transactions)

Current Fiscal Year (From July 1, 2001 To June 30, 2002)					Previous Fiscal Year (From July 1, 2000 To June 30, 2001)				
<Financial lease transactions that do not involve the transfer of ownership of the leased assets to lessee>					<Financial lease transactions that do not involve the transfer of ownership of the leased assets to lessee>				
1. Effective purchase price, accumulated depreciation and net ending balance of the leased assets					1. Effective purchase price, accumulated depreciation and net ending balance of the leased assets				
(000 Yen)					(000 Yen)				
	Furniture and Fixtures	Software	Others	Total		Furniture and Fixtures	Software	Others	Total
Effective purchase price	1,032,791	24,630	721,836	1,779,257	Effective purchase price	2,060,037	279,640	731,927	3,071,605
Accumulated depreciation	560,156	18,973	419,663	998,793	Accumulated depreciation	573,805	218,847	260,606	1,053,259
Net ending balance	472,635	5,656	302,172	780,464	Net ending balance	1,486,231	60,793	471,320	2,018,345
2. Effective ending balance of remaining lease payments					2. Effective ending balance of remaining lease payments				
('000 Yen)					('000 Yen)				
Within one year					Within one year				
395,977					685,671				
Over one year					Over one year				
406,551					1,339,228				
<u>Total</u>					<u>Total</u>				
802,529					2,024,899				
3. Lease expenses payable, depreciation expenses, and interests					3. Lease expenses payable, depreciation expenses, and interests				
('000 Yen)					('000 Yen)				
Lease payments					Lease payments				
425,351					635,310				
Depreciation expenses					Depreciation expenses				
385,773					582,857				
Interest payments					Interest payments				
37,327					67,632				
4. Calculation methods of depreciation expenses and interests payable					4. Calculation methods of depreciation expenses and interests payable				
a) Method of calculating effective depreciation expenses					a) Method of calculating effective depreciation expenses				
Straight line method in which the lease period is used as useful economic life and the residual value is assumed to be zero.					Same as left				
b) Method of calculating interests payable					b) Method of calculating interests payable				
The difference between the total lease payments and the effective purchase price of the leased assets is considered the effective interest amount. Allocation to individual terms is based on the interest method.					Same as left				

**(Tax effect accounting)**

Current Fiscal Year (As of June 30, 2002)	Previous Fiscal Year (As of June 30, 2001)
1. Breakdown of deferred tax assets and liabilities by principal engendering causes	1. Breakdown of deferred tax assets and liabilities by principal engendering causes
(Deferred tax assets) (000 Yen)	(Deferred tax assets) (000 Yen)
Accrued enterprise taxes 100,920	Accrued enterprise taxes 123,419
Provision for accrued directors' retirement benefits 8,865	Provision for accrued directors' retirement benefits 139,129
Allowance for doubtful accounts exceeding limit 42,938	Loss carry forwards 37,917
Loss carry forwards 43,744	Losses on software exceeding the deductible limit 26,241
Losses on software exceeding the deductible limit 39,698	Amortization of deferred assets exceeding limit 20,794
Provisions for accrued retirement benefits exceeding limit 7,399	Provisions for accrued retirement benefits exceeding limit 16,765
Others <u>29,173</u>	Others <u>37,123</u>
Total deferred tax assets 272,194	Total deferred tax assets 401,390
(Deferred tax liabilities) <u>38</u>	(Deferred tax liabilities) <u>489</u>
Net deferred tax assets <u>272,156</u>	Net deferred tax assets <u>400,900</u>
2. Breakdown of principal causes of the difference between effective statutory tax rate and the burden rate of income taxes, etc. after tax effect accounting applied.	2. Breakdown of principal causes of the difference between effective statutory tax rate and the burden rate of income taxes, etc. after tax effect accounting applied.
Effective statutory tax rate 42.1%	
(Adjustment)	Entry is omitted as the Company has posted net losses before income taxes.
Unposted deferred tax (13.6) (*)	
Others <u>(0.9)</u>	
Burden rate of income taxes, etc. after tax effect accounting applied <u>27.4</u>	
(*) Due to the fact that certain subsidiaries refrained from posting deferred tax upon considering the possibility of collection.	

**(Retirement benefits)**

Current Fiscal Year (From July 1, 2001 To June 30, 2002)	Previous Fiscal Year (From July 1, 2000 To June 30, 2001)								
<p>1. Summary of the retirement benefit program being employed.</p> <p>The Company and the consolidated domestic subsidiaries employ the lump-sum payment plan of the defined benefit program.</p>	<p>1. Summary of the retirement benefit program being employed.</p> <p style="text-align: center;">Same as left.</p>								
<p>2. Items pertaining to retirement benefit obligations</p> <p style="text-align: right;">('000 Yen)</p> <table><tr><td><u>Retirement benefit obligations</u></td><td style="text-align: right;"><u>27,017</u></td></tr><tr><td>Accrued retirement allowances</td><td style="text-align: right;">27,017</td></tr></table> <p><i>(Note) A simplified method is applied when calculating the benefit obligations.</i></p>	<u>Retirement benefit obligations</u>	<u>27,017</u>	Accrued retirement allowances	27,017	<p>2. Items pertaining to retirement benefit obligations</p> <p style="text-align: right;">('000 Yen)</p> <table><tr><td><u>Retirement benefit obligations</u></td><td style="text-align: right;"><u>57,025</u></td></tr><tr><td>Accrued retirement allowances</td><td style="text-align: right;">57,025</td></tr></table> <p><i>(Note) A simplified method is applied when calculating the benefit obligations.</i></p>	<u>Retirement benefit obligations</u>	<u>57,025</u>	Accrued retirement allowances	57,025
<u>Retirement benefit obligations</u>	<u>27,017</u>								
Accrued retirement allowances	27,017								
<u>Retirement benefit obligations</u>	<u>57,025</u>								
Accrued retirement allowances	57,025								
<p>3. Items pertaining to costs of retirement benefit payments</p> <p style="text-align: right;">('000 Yen)</p> <table><tr><td><u>Service cost</u></td><td style="text-align: right;"><u>2,557</u></td></tr><tr><td>Retirement benefit cost</td><td style="text-align: right;">2,557</td></tr></table>	<u>Service cost</u>	<u>2,557</u>	Retirement benefit cost	2,557	<p>3. Items pertaining to costs of retirement benefit payments</p> <p style="text-align: right;">('000 Yen)</p> <table><tr><td><u>Service cost</u></td><td style="text-align: right;"><u>27,076</u></td></tr><tr><td>Retirement benefit cost</td><td style="text-align: right;">27,076</td></tr></table>	<u>Service cost</u>	<u>27,076</u>	Retirement benefit cost	27,076
<u>Service cost</u>	<u>2,557</u>								
Retirement benefit cost	2,557								
<u>Service cost</u>	<u>27,076</u>								
Retirement benefit cost	27,076								

## (Segment Information)

### a. Breakdown by Operating Segments

For the previous consolidated fiscal period (From July 1, 2000 to June 30, 2001)

(Unit: '000 Yen)

	Sub-contracting	Human resource dispatching/Introduction	Investment and Loan	Medical/Nursing care	Beauty/Health	Others	Total	Intra-company eliminations and corporate overhead	Consolidated
I. Revenues and Operating Income/ Losses									
Revenues									
(1) Revenues from external clients	23,026,935	1,024,156	625,707	12,416,461	13,154,648	962,389	51,210,298		51,210,298
(2) Intra-segment revenues and cross-charges	44,036	162,760	-	2,539	-	216,927	426,263	(426,263)	-
Total	23,070,971	1,186,917	625,707	12,419,000	13,154,648	1,179,316	51,636,562	(426,263)	51,210,298
Operating expenses	21,431,813	1,065,506	639,098	18,173,325	12,837,393	1,259,478	55,406,616	(368,683)	55,037,932
Operating income (losses)	1,639,157	121,410	(13,390)	(5,754,324)	317,254	(80,162)	(3,770,053)	(57,579)	(3,827,633)
II. Assets, depreciation and capital expenditure									
Assets	15,568,413	781,294	5,332,332	4,701,366	11,504,265	619,826	38,507,499	-	38,507,499
Depreciation	383,515	15,420	5,357	121,197	167,864	60,747	757,103	-	757,103
Capital expenditure	964,368	59,329	30,000	628,101	405,670	11,301	2,098,770	-	2,098,770

(Note) 1. Businesses are segmented based on those classifications used for internal management purposes.

#### 2. Main operations of each segment

- (1) Subcontracting: light physical labor, office work, inventory work
- (2) Human resource dispatching/  
Introduction: resource dispatching, resource introduction
- (3) Investment and Loan: Investment in/loans to start-up companies
- (4) Medical/Nursing care: home nursing care services, home-call nursing care, home-call dental treatment support services
- (5) Beauty/Health: operation of esthetic clinics for beauty treatments, sale of health and beauty products
- (6) Other businesses: advertising agency, database marketing, telemarketing, travel agency

3. As indicated in the "Additional Information" section, accounting standards concerning financial products ("Statement on the Establishment of Accounting Standards for Financial Products" (Business Accounting Council; January 22, 1999)) are being applied to financial products as of the fiscal year in review. Likewise, with regard to retirement benefits, the accounting standards concerning retirement benefits ("Statement on the Establishment of Accounting Standards for Retirement Benefits" (Business Accounting Council; June 16, 1998)) are being applied as of the

*fiscal year in review.*

*This does not have any impact on the individual segments.*

For the current consolidated fiscal period (From July 1, 2001 to June 30, 2002)

(Unit: '000 Yen)

	Sub-contracting	Human resource related	Investment and Loan	Medical/ Nursing care	Total	Intra-company eliminations and corporate overhead	Consolidated
I. Revenues and Operating Income/ Losses							
Revenues							
(1) Revenues from external clients	29,785,450	2,003,346	307,136	15,199,705	47,295,638		47,295,638
(2) Intra-segment revenues and cross-charges	24,641	94,407	99,200	741	218,990	(218,990)	-
Total	29,810,091	2,097,754	406,336	15,200,446	47,514,629	(218,990)	47,295,638
Operating expenses	26,922,953	1,996,291	413,315	14,414,370	43,746,930	(207,636)	43,539,293
Operating income (losses)	2,887,138	101,463	(6,979)	786,076	3,767,698	(11,354)	3,756,344
II. Assets, depreciation and capital expenditure							
Assets	22,257,947	764,109	-	5,292,222	28,314,278	-	28,314,278
Depreciation	380,259	38,656	2,343	228,299	649,559	-	649,559
Capital expenditure	420,399	30,418	-	20,462	471,279	-	471,279

(Notes)

1. (Change in Business Classification)

With respect to "Temporary Staffing and Agency" services, the competition has increased since the lifting of the restrictions on the temporary staffing industry. Taking into consideration the need for increased differentiation and value added in order to survive in the industry, the Goodwill Career, Inc and the Goodwill Foresight Inc. have merged effective July 1, 2001 in order to further reinforce the business linkage among EAP (employee counseling program) services, temporary staffing and agency, and personnel related advertising agency services which functions as the business development arm for the 3 services. With the merger of the Goodwill Career, Inc., engaged in EAP services which had

historically been classified among "Other" Businesses, with the Goodwill Foresight, Inc., engaged in Temporary Staffing and Agency, the businesses of both entities have been unified and also the personnel related advertising agency services of Goodwill Career, Inc. are mutually complementary with the EAP services and temporary staff and agency services. Taking this into consideration, commencing the current consolidated fiscal year, these businesses have been amalgamated and segment classification has been changed from "Temporary Staffing and Agency" to "Human Resources Related" Services in order to more accurately portray the Group businesses. As a result, Revenues from Other Businesses declined by ¥471,462 thousand and Operating Losses declined by ¥17,589 thousand compared to the results that would have been recorded had the same classification that had been applied in the prior consolidated fiscal year been applied.

## 2. Details of Each Business

- (1) Subcontracting Services: Light labor and administrative tasks
- (2) Human Resource Related Services: Employee Counseling Program (EAP), temporary staffing, personnel agency, advertisement agency
- (3) Financing Business: Investment and finance for venture capital enterprises
- (4) Medical and Nursing Care Services: Home nursing care and home dental treatment support

With respect to "Beauty and Health Services" presented in the fiscal period ending June 2001, as the subject company has become excluded from consolidation, it is not included here. With the above noted changes in segment classification, there are no longer any companies that are included in "Other Business" category, therefore, no comments are included with respect to "Other".

### b. Geographic Segmentation.

Prior Consolidated Fiscal Year (Commencing July 1, 2000 and ending June 30, 2001)

Aggregate total of Revenues of all segments and aggregate total Assets of all segments located in Japan account for over 90% of total Revenues and of Assets, therefore, Geographic Segmentation information has been abbreviated in accordance with Handling Outlines of Rules for Consolidated Financial Statements 39-3.

Current Consolidated Fiscal Year (Commencing July 1, 2002 and ending June 30, 2002)

As there are no consolidated subsidiaries that are located in countries other than Japan, there are no applicable items.

### c. Overseas Revenues

Prior Consolidated Fiscal Year (Commencing July 1, 2000 and ending June 30, 2001)

Overseas Revenues totaled less than 10% of Consolidated Revenues, therefore, this item has been omitted.

Current Consolidated Fiscal Year (Commencing July 1, 2002 and ending June 30, 2002)

As there are no Overseas Revenues in the Current Consolidated Fiscal Year, this item has been omitted.

**(Marketable Securities)**

Previous Consolidated Fiscal Year (From July 1, 2000 to June 30, 2001)

**(1) "Other securities" with market value**

Class	Original purchase price ('000 Yen)	Amount recorded in the consolidated balance sheet at fiscal yearend ('000 Yen)	Difference ('000 Yen)
Items with market values exceeding the amounts recorded in the balance sheet			
Stocks	117,640	173,795	56,154
Bonds	—	—	—
Others	—	—	—
Subtotal	117,640	173,795	56,154
Items with market values falling short of the amounts recorded in the balance sheet			
Stocks			
Bonds	388,836	187,129	(201,706)
Others	—	—	—
	50,000	29,475	(20,525)
Subtotal	438,836	216,604	(222,231)
Total	556,476	390,399	(166,077)

**(2) "Other securities" sold during the subject consolidated fiscal year**

Sale price ('000 Yen)	Total gains on sale ('000 Yen)	Total losses on sale ('000 Yen)
952,873	706,933	16,559

**(3) Securities without market value****Other securities**

Items	Amount recorded in the consolidated balance sheet ('000 Yen)
Unlisted stock	989,838
Unlisted bonds	298
Total	990,137

**Current Consolidated Fiscal Year (From July 1, 2001 to June 30, 2002)**

**(1) "Other securities" with market value**

Class	Original purchase price ('000 Yen)	Amount recorded in the consolidated balance sheet at fiscal yearend ('000 Yen)	Difference ('000 Yen)
Items with market values exceeding the amounts recorded in the balance sheet			
Stocks	—	—	—
Bonds	—	—	—
Others	—	—	—
Subtotal	—	—	—
Items with market values falling short of the amounts recorded in the balance sheet			
Stocks	172,183	54,061	118,122
Bonds	—	—	—
Others	—	—	—
Subtotal	172,183	54,061	118,122
Total	172,183	54,061	118,122

**(2) "Other securities" sold during the subject consolidated fiscal year**

Sale price ('000 Yen)	Total gains on sale ('000 Yen)	Total losses on sale ('000 Yen)
—	—	—

**(3) Securities without market value**

**Other securities**

Items	Amount recorded in the consolidated balance sheet ('000 Yen)
Unlisted stock	1,187,640
Unlisted bonds	300,298
Others	3,000
Total	1,490,938

**(Derivatives transactions)**

(1) Items pertaining to transaction status

<p>Current Fiscal Year (From July 1, 2001 To June 30, 2002)</p>	<p>Previous Fiscal Year (From July 1, 2000 To June 30, 2001)</p>
	<p>1. Content and object of transactions</p> <p>The derivative products used by the Company and certain consolidated subsidiaries are interest rate cap contracts. The object of the derivatives use is to contain within a fixed range the impact of future interest rate rise in connection with the payment of variable interests on borrowings.</p> <p>2. Policies concerning the transactions</p> <p>The Company and certain consolidated subsidiaries intend to use derivatives for the purpose of reducing risks on interest rate fluctuations associated with borrowings, and will not use such products for investment purposes.</p> <p>3. Risks associated with the transactions</p> <p>The derivative products used by the Company and certain consolidated subsidiaries are interest rate cap contracts to contain the variable interest rates on borrowings within a fixed range. We judge that there is virtually no material risk associated with such transactions.</p> <p>4. Risk management structure</p> <p>Interest rate cap contracts used by the Company and certain consolidated subsidiaries are individually approved at the board of directors meetings, and upon such approvals, the finance and accounting departments handle the</p>

	<p>administrative work to conclude the contracts.</p> <p>The director in charge reports the status of derivatives transactions on the occasion of board of directors meeting on financial results held semi-annually at individual companies.</p>
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(2) Items pertaining to market values of transactions

Contract Value, Market Value, and Valuation Gains/Losses on Derivative Transactions

('000 Yen)

Classification	Transaction Type	Previous Consolidated Fiscal Year (as of June 30, 2001)			
		Contract Value, etc.		Market Value	Valuation Gains/Losses
			Of which term over 1 year		
Transactions other than listed trades	Interest rate cap	1,200,000	1,200,000	511	(10,606)
	Buy	(11,118)	(6,651)		
	Interest rate swap Receive floating/ Pay fixed	1,200,000	600,000	(16,113)	(16,113)
Total		2,400,000 (11,118)	1,800,000 (6,651)	(15,602)	(26,719)

- (Note) 1. Figures in parenthesis indicate option fees recorded in the balance sheet.  
2. There are no latent risks to the aforementioned interest rate cap transactions.  
3. Market values are calculated based on the prices provided by the Company's banks.  
4. There is no outstanding balance at the end of the consolidated fiscal year in review.

**(Transactions with related parties)**

Previous Consolidated Fiscal Period (From July 1, 2000 to June 30, 2001)

Relation	Name of company/ individual	Address	Paid-in capital/ capital contribution ('000Yen)	Business profile/ profession	Voting rights in Co. (%)	Relationship		Transaction details	Transaction value ('000 Yen)	Account	Fiscal yearend balance ('000 Yen)
						Concurrent directorship	Business connection				
rights are held by	Origuchi Soken, Ltd.	Minato-ku, Tokyo	3,000	Management consulting	15.19	1	-	Fund advance	777,750	Accrued revenue	477,750

Current Consolidated Fiscal Period (From July 1, 2001 to June 30, 2002)

Relation	Name of company/ individual	Address	Paid-in capital/ capital contri- bution (‘000Yen)	Business profile/ profession	Voting rights in Co. (%)	Relationship		Transaction details	Transaction value (‘000 Yen)	Account	Fiscal yearend balance
						Concur- rent director- ship	Business connec- tion				
Directors and Associates	Masahiro Origuchi	Setagaya- ku, Tokyo	-	Rep. Director & Chairman of the Company	5.80	-	-	Sale of GW Capital shares	3,000,000	-	-
								Purchase of COMSN shares	3,000,000		

**(Others)**

Material Legal Actions

The Company and Masahiro Origuchi, the representative director of the Company, have been named as defendants in a legal action claiming compensation for damages amounting to ¥2,716,999,840 filed jointly by Creek, Inc. (formerly known as Nihon Suppliers Kabushikikaisha) and its former representative Toshio Yamaguchi, citing the dissolution of capital affiliation (July 2001) as the reason for the suit.

This suit is without merit and we are in preparation of vigorous defense along with our legal counsel, and the Company has no concern whatsoever as to the outcome of the hearing. Therefore, we have determined that there is no likelihood of this having any material impact on corporate performance.