

9th Business Report

July 1, 2002 to June 30, 2003



**GOODWILL
GROUP**

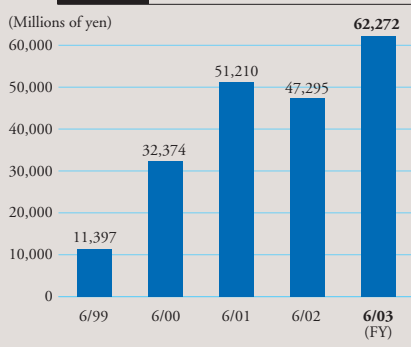


The Goodwill Group, Inc.

Ticker code: 4723

Turnover and Profits Hit Record Highs

Turnover



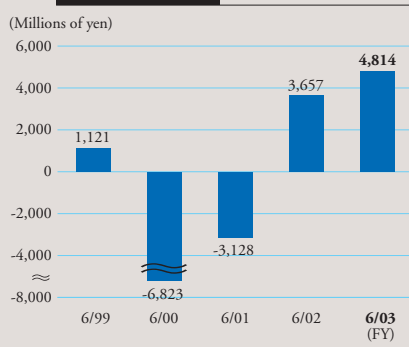
Turnover

Consolidated turnover grew by 14.977 billion (31.6%) year-on-year, reaching 62.272 billion yen.

Focus & selection measures of the Goodwill Group's business opened the way for stable growth in the Group's mainstay ordinary daily outsourcing business, which realized both qualitative and quantitative expansions in the industries served. Together with steady development of the nursing care and medical support business and an expansion in service fields, this led to significantly higher turnover.

Both of the Group's core business areas achieved record high turnover.

Recurring Profit

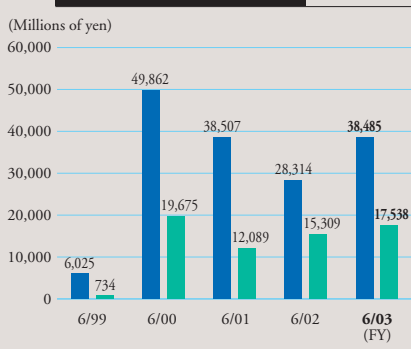


Recurring Profit

Consolidated recurring profit rose 1.156 billion yen (31.6%) year-on-year, reaching 4.814 billion yen.

Greater and broader awareness of the importance of the outsourcing business helped the Goodwill Group parent company exceed its non-consolidated business plans. Comsn, a nursing care subsidiary benefited from rising demand to contribute both greater turnover and a wider profit margin. Plans are to continue increasing profits, while also making strategic investments.

Total Assets (■) Shareholders' Equity (■)



Total Assets and Shareholders' Equity

As of the end of the year, total consolidated assets stood at 38.485 billion yen, and consolidated shareholders' equity, 17.538 billion yen.

In its effort to maximize company value, the Goodwill Group gives highest priority to increasing asset and capital efficiency. Therefore, the Group strives to achieve higher results in terms of both ROE and ROA.

Being a company that provides a wide variety of human resource services, the Goodwill Group recognizes that people are its most precious assets. Its basic policy is to place importance on people, assets that are difficult to quantify; minimize idle or low-productivity assets and manage its operations as efficiently as possible.

Growth Strategy Develops Further

Business Environment and Results for the Most Recent Fiscal Year

Allow me first to express our profound appreciation for your support and our sincere wishes for your continued prosperity.

In this report, we would like to present an overview of our company's business results for the 9th fiscal year (July 1, 2002 - June 30, 2003) with our annotations.

During the period, there was no significant change in the relationship whereby Japan's economic recovery was dependent on a U.S. economic recovery, and economic stagnation prevailed throughout the year. As a result, severe economic conditions persisted, with company profits worsening, capital investment down, and sentiment remaining negative as a higher pace of restructuring resulted in weaker employment conditions.

Even under such difficult external conditions, the Goodwill Group continued developing its operations around two mainstay businesses that show exceedingly strong growth.

One, the human resources business, is composed primarily of ordinary daily outsourcing and human resources services, while the other, the nursing care business, consists of both at-home and institutional nursing care. Both of these core businesses continued to grow throughout the period and serve promising markets that are expected to demonstrate strong growth over the medium-to-long term.

Medium-to-Long-Term Outlook and Initiatives

Our ability to identify and focus our management resources on high-growth markets is unrivalled.

We have been living up to our reputation as a leader and accelerating the development of this company in comprehensive human resource services by applying our excellent business strategy and management skills to the actual growth potential of the market.

Within the Ten Rules of the Goodwill Group, we emphasize that "Speed is strength, change is opportunity." In the face of various changing conditions, every Group employee takes swift and foresighted action, holding nothing back in their efforts to maintain our overwhelming superiority.

Our aim is to maximize the company's value, to which end, we very much appreciate our shareholders continued support and encouragement.

September 2003

Masahiro Origuchi
Chairman and CEO

折口雅博



Masahiro Origuchi
Chairman and CEO

Company Credo **Unyielding Venture Spirit**

Ten Rules of The Goodwill Group

- Take the customer's perspective and provide unsurpassed satisfaction
- Hold on to dreams and ambition, and meet challenges head on.
- Glory waits on the other side of difficulty. Strive to overcome adversity.
- See the true nature of things. Don't be moved by the superficial.
- There is a cause, so there is a result. Make fair judgments.
- Take bold action. Defense is the first step toward defeat.
- Speed is strength, change is an opportunity.
- Have confidence, but also be humble and compassionate.
- Smile and have a positive attitude.
- Always do the right thing and make the right choice.

The Goodwill Group will concentrate on its core human resource service and nursing care service.

- The Goodwill Group, Inc.
- Goodwill Career, Inc.
- Soar Co., Ltd.



The Goodwill Group, Inc.
The Goodwill Group provides a wide variety of human resource services focusing on ordinary daily outsourcing and covering event and sales promotion activities, general administrative services, and IT-related services.

Comsn, Inc.
Comsn is a provider of at-home nursing care for the elderly and was the first in Japan to be designated by the Ministry of Health, Labor and Welfare as a model business for 24-hour home-call nursing care.

Goodwill Career, Inc.
Goodwill Career provides various types of counseling service, job placement, consulting, and education and training program, using psychological approach including EAP (employee assistance programs) and ASP (activation and stress reduction programs) as its core technique.

Soar, Inc
Soar plans, produces and manages trade shows and sample markets and provides expert human resources to perform dispatch of drivers and other services.

**The Goodwill Group, Inc.
Results for the year under review
(July 1, 2002 ~ June 30, 2003)**

Turnover

Turnover increased by 10.645 billion yen (41.4%) year-on-year to reach 36.310 billion yen.

Recurring Profit

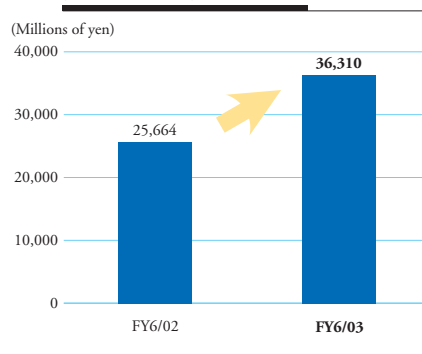
Recurring profit increased by 997 million yen (35.9%) year-on-year to reach 3.771 billion yen.

Net Profit

Net profit increased by 616 million yen (43.3%) year-on-year to reach 2.020 billion yen.

Outsourcing is rapidly gaining recognition and is being applied in an ever-widening array of fields. Efforts, therefore, were made to enhance service speed and convenience, as well as subcontracting capability in both qualitative and quantitative terms. As a result, steady performance gains were achieved.

Turnover of the Goodwill Group, Inc.
(Non-Consolidated)





Business Areas~ The Goodwill Group Service Fields

- **CAS/Casting:** All types of ordinary daily outsourcing
- **CON/Construction:** Light construction and remodeling work
- **SP/Sales Promotion:** Sales promotion support (Sampling, demonstration sales, etc.)
- **TS/Technical Support:** PC setup and system introduction work
- **OS/Office Support:** Administrative work, call center operators

Turnover of the Goodwill Group by Type of Service

(Millions of yen)

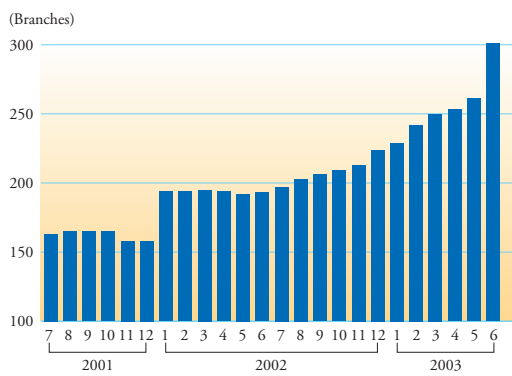
Services	FY6/02	FY6/03
CAS/Casting	22,638	30,884
CON/Construction	883	1,907
SP/Sales Promotion	803	1,564
TS/Technical Support	608	771
OS/Office Support	226	431
Others	504	751
Total	25,662	36,308

Issues and Actions for the Coming Fiscal Year

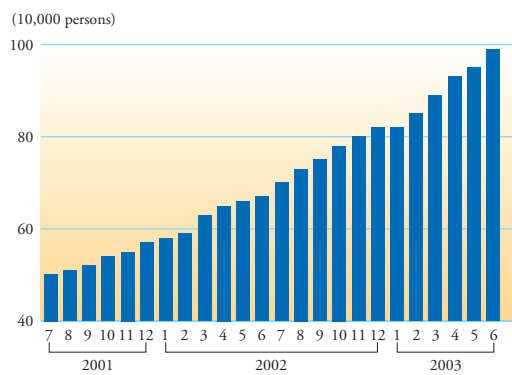
To meet client needs, which have a tendency to diversify both qualitatively and quantitatively, and enhance convenience for registered staff, the number of branches was increased to 301 at the end of the year under review, from 193 at the end of FY/02. Plans are to continue to aggressively adding branches during FY/04.

In addition to expansion of the branch network, goals also include strengthening of sales and marketing to develop new customers and increase business with existing customers, and maximization of customer satisfaction based on a “customer-oriented” attitude.

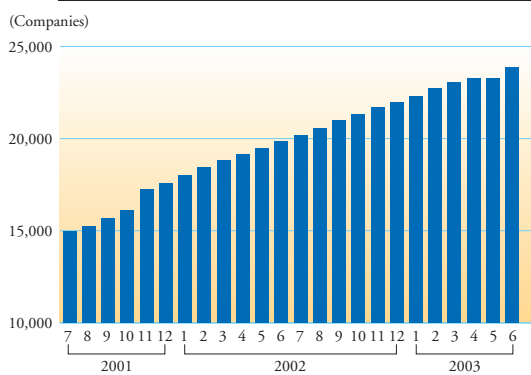
Number of Branches



Number of Registered Staff



Number of Registered Companies



(“Number of Registered Companies” means the number of companies that have requested temporary staff from Goodwill.)

Comsn, Inc.

**Comsn, Inc.
Results for the year under review
(July 1, 2002 ~ June 30, 2003)**

Turnover

Turnover increased by 8.142 billion yen (54.4%) year-on-year to reach 23.101 billion yen.

Recurring Profit

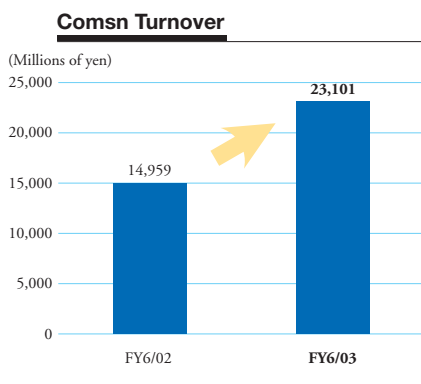
Recurring profit increased by 389 million yen (42.4%) year-on-year to reach 1.307 billion yen.

Net Profit

Net profit increased by 669 million yen (107.1%) year-on-year to reach 1.294 billion yen.

To address ongoing growth in demand for at-home nursing care services and take advantage of merit of scale as soon as possible, Comsn continues to focus on adding dispatch care centers and hiring, developing and training staff, care managers and home helpers.

This made it possible to increase service provision capabilities and raise and secure service quality. As a result, 160 branches were added to bring the number of branches up from 350 to 510, and the number of customers was increased from 21,015 at the end of FY 02 to 33,406 at the end of FY 03. All of this contributed to both greater turnover and profits.



During FY 03, Comsn hired approximately 550 new graduates (from high schools and other educational institutions), the fourth largest number among all companies in Japan. And with its staff count increasing by 4,085 (49.1%) from 8,311 at the end of FY 02 to 12,396 at the end of FY 03, Comsn is contributing significantly to society as an employer as well. At a time of high unemployment and difficulty in landing a job, this is direct evidence that the nursing care business is gaining recognition and establishing a strong place as a new industry. Expectations are for continued growth in this industry.

**Business Areas~
Comsn Service Fields**

Broadly sharing the same Comsn brand, expertise developed though at-home nursing care and 24-hour nursing care operations will be applied to increase the number of fields in which services are provided.

Visiting Care Services

- Care management
- Care services (physical care / housework support and assistance)
- Home-call bathing service
- Home-call dental support services
- Nursing care taxi service (began operations in March 2003)
- Sale and rental of nursing supplies

Residential Care Services

- Fee-based old age home with nursing care services
- Group home

Helper training

Comsn Home Nishi-Kokubunji, fee-based old age home with nursing care services





Issues and Actions for the Coming Fiscal Year

With more and more people understanding the nursing care insurance system and system coverage becoming more comprehensive, higher quality and greater quantity of services have become the most critical issues. Comsn, for its part, is committed to fully applying all of the resources at its disposal toward that end.

Using its core home-call nursing care services as a foundation for growth, Comsn will actively make other strategic investments to boost profits over the medium-to-long term such as enhancement of service quality and expansion of the number of fields it serves, based on increasing client needs, while continuing to add dispatch care centers and staff during FY 04.

Comsn will accelerate the growth of its home-call nursing care services and institutional care services, the two key components of its at-home care services. For Comsn, maximizing client satisfaction through steadfast commitment to the Comsn Pledge principle that the customer-oriented business is an absolute requirement for business expansion, and shared by all Comsn employees as the Comsn corporate philosophy.

The Comsn Pledge

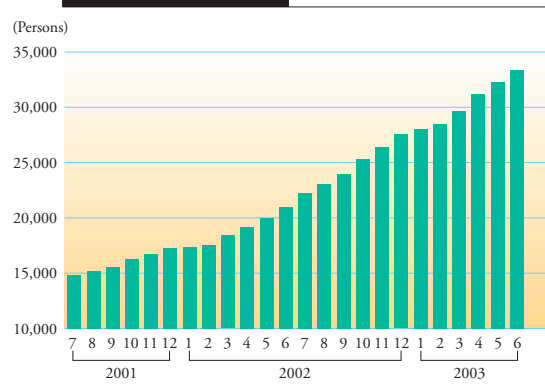
We will protect the dignity and independence of as many elderly people as possible and remain strictly customer-oriented.

We respect bright smiles, loving hearts, and feelings of appreciation.

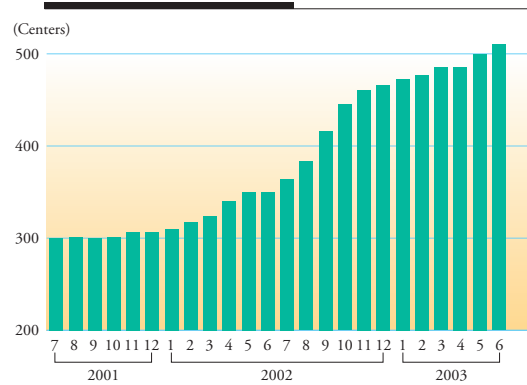
With a sense of service always in our minds, we conduct nursing care services from our hearts.

We take responsibility in maintaining our customers' privacy.

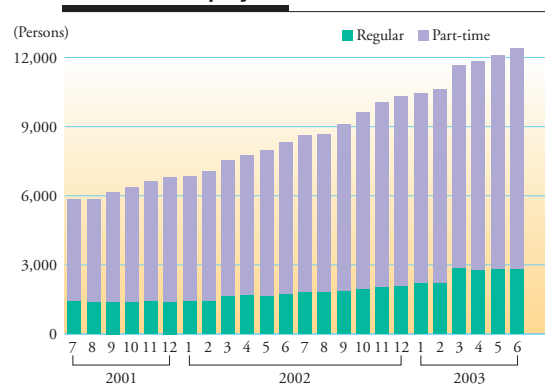
Number of Customers



Number of Care Centers



Number of Employees



Consolidated Financial Statements (Summarized)

Consolidated Balance Sheet

(In thousand yen, rounded off to thousands)

	FY 6/01 As of June 30, 2001	FY 6/02 As of June 30, 2002	FY 6/03 As of June 30, 2003
Assets			
Current assets	25,640,084	16,682,877	23,377,355
Fixed assets	12,867,239	11,631,319	15,108,368
Property plant and equipment	3,582,079	1,640,633	1,771,883
Intangible assets	3,713,472	6,544,977	9,145,231
Investments & other assets	5,571,687	3,445,708	4,191,253
Deferred assets	175	81	21
Total assets	38,507,499	28,314,278	38,485,745
Liabilities			
Current liabilities	22,079,294	12,218,695	19,889,436
Fixed liabilities	2,337,165	578,717	613,530
Total liabilities	24,416,460	12,797,412	20,502,966
Minority interest			
Minority interest	2,001,545	206,966	443,913
Shareholders' equity			
Common stock	13,632,160	13,674,660	—
Additional paid-in capital	15,357,399	16,345,269	—
Accumulated deficit Consolidated Retained Earnings	16,980,318	14,692,647	—
Unrealized holding gain (loss) on securities	7,264	(16,853)	—
Translation adjustments	72,987	—	—
Treasury stock	—	(529)	—
Total shareholders' equity	12,089,493	15,309,899	—
Common stock	—	—	13,674,660
Capital surplus	—	—	16,345,269
Retained earnings	—	—	(12,497,870)
Unrealized holding loss on securities	—	—	20,245
Treasury stock	—	—	(3,439)
Total shareholders' equity	—	—	17,538,865
Total liabilities, minority interest & shareholders' equity	38,507,499	28,314,278	38,485,745

Consolidated Statement of Income

(In thousand yen, rounded off to thousands)

	FY 6/01 From July 1, 2000 To June 30, 2001	FY 6/02 From July 1, 2001 To June 30, 2002	FY 6/03 From July 1, 2002 To June 30, 2003
Turnover	51,210,298	47,295,638	62,272,920
Cost of sales	36,463,614	31,306,034	41,909,483
Gross profits	14,746,683	15,989,603	20,363,437
Selling, general & administrative expenses	18,574,317	12,233,259	15,391,604
Operating income (loss)	(3,827,633)	3,756,344	4,971,833
Non-operating income	1,060,516	121,029	110,144
Non-operating expenses	361,706	219,448	267,681
Recurring profit (loss)	(3,128,823)	3,657,925	4,814,296
Extraordinary gains	141,245	679,331	1,365,995
Extraordinary losses	2,887,323	482,308	1,388,244
Income (loss) before income taxes and other adjustments	(5,874,902)	3,854,948	4,792,047
Income taxes-current	2,050,000	1,393,000	2,129,920
Income taxes-deferred	(179,763)	(95,889)	(157,017)
Minority interest (loss)	(335,230)	156,600	271,032
Net income (loss)	(7,409,908)	2,401,236	2,548,112

Key Points from the Consolidated Balance Sheet

Current Assets

Current assets exceeded the figure for the year earlier by 6.694 billion yen (40.1%) to end the year at 23.377 billion yen.

This was due primarily to borrowing to provide working capital in July and months following. This added 4.981 billion yen to cash & cash equivalents. Meanwhile, notes & accounts receivable, trade increased by 2.752 billion yen.

Fixed Assets

Fixed assets grew by 3.477 billion yen (29.8%) compared to the year, reaching 15.108 billion yen.

The primary factors behind this increase were the acquisition of the shares of Comsn, Inc. and other transactions resulting in a 2.691 billion yen increase in the consolidation difference and 1.216 billion yen in lease deposits related to the transfer of the company headquarters and opening of new branches.

Current Liabilities

Current liabilities exceeded the figure for the year earlier by 7.660 billion yen (62.7%) to end the year at 19.889 billion yen.

This was primarily due to a 5.009 billion yen increase in short-term borrowings, which resulted from borrowings to provide working capital beginning in July and months following, a 1.564 billion yen increase in accrued expenses-others and a 742 million yen increase in accrued corporate taxes.

Fixed Liabilities

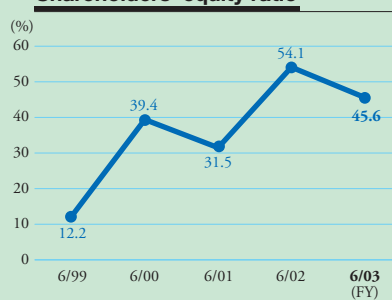
Fixed liabilities increased by 34 million yen (6.0%) over the year to 613 million yen. There were no major changes in fixed liabilities.

Shareholders' Equity

Shareholders' equity increased 2.228 billion yen (14.5%) year-on-year to reach 17.538 billion yen.

This was due primarily to the recording of 2.548 billion yen in net profit and the consequent increase in retained earnings.

Shareholders' equity ratio



Key Points from the Consolidated Statement of Income

Operating Income

Operating income increased by 1.215 billion yen (32.3%) to reach 4.971 billion yen.

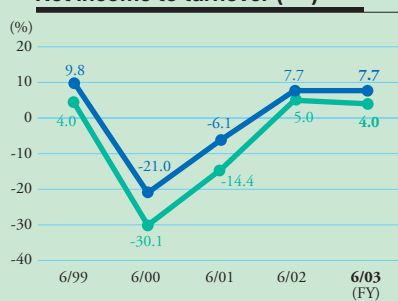
This was primarily the result of steady growth in the performance of the outsourcing and nursing care/medical support businesses. Operating income rose by 930 million yen for the former and 199 million yen for the latter.

Net Income

Net income increased by 146 million yen (6.1%) to reach 2.548 billion yen.

This was due to steady improvements in results for the outsourcing and nursing care/medical support businesses.

Recurring Profit to turnover (—)
Net income to turnover (—)



Return on assets (—)
Return on equity (—)



Consolidated Statement of Retained Earnings

(In thousand yen, rounded off to thousands)

	FY 6/01 From July 1, 2000 To June 30, 2001	FY 6/02 From July 1, 2001 To June 30, 2002	FY 6/03 From July 1, 2002 To June 30, 2003
Beginning balance of deficit	9,313,630	16,980,318	—
Increase in deficit	260,153	230,216	—
Decrease in deficit	3,374	116,651	—
Net income (loss)	(7,409,908)	2,401,236	—
Ending balance of deficit	16,980,318	14,692,647	—
Capital surplus			
Beginning balance of capital surplus	—	—	16,345,269
Ending balance of capital surplus	—	—	16,345,269
Retained earnings			
Beginning balance of retained earnings	—	—	(14,692,647)
Increase in retained earnings	—	—	2,548,112
Decrease in retained earnings	—	—	353,335
Ending balance of retained earnings	—	—	(12,497,870)

Consolidated Cash Flow Statement

(In thousand yen, rounded off to thousands)

	FY 6/01 From July 1, 2000 To June 30, 2001	FY 6/02 From July 1, 2001 To June 30, 2002	FY 6/03 From July 1, 2002 To June 30, 2003
Net cash (used in) provided by operating activities	(8,303,823)	821,092	3,089,106
Net cash used in investing activities	(1,739,309)	(5,222,157)	(2,925,442)
Net cash (used in) provided by financing activities	(450,714)	(1,337,335)	4,855,852
Conversion differential of cash and cash equivalents	78,729	—	—
Increase in cash & cash equivalents	(10,415,117)	(5,738,399)	5,019,516
Cash & cash equivalents at beginning of period	23,186,669	12,771,552	7,033,153
Cash & cash equivalents at end of period	12,771,552	7,033,153	12,052,670

Key Points from the Consolidated Cash Flow Statement

Cash and cash equivalents (referred to below as "cash") stood at 12.052 billion yen at the end of FY/03, 5.019 billion yen higher than at the end of the previous fiscal year.

Cash Flow from Operating Activities

Cash flow provided by operations totaled 3.089 billion yen, versus 821 million yen for the prior year.

This was primarily the result of steady growth in the performance of the outsourcing and nursing care/medical support businesses and the recording of 4.792 billion yen in income before income taxes and other adjustments.

Cash Flow from Investing Activities

Cash flow used in investing activities came to 2.925 billion yen, versus 5.222 billion yen used in investing activities in the prior year.

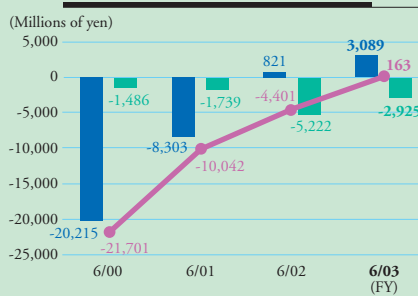
In FY/03, cash was used primarily to acquire investment securities and the shares of a consolidated subsidiary.

Cash Flow from Financing Activities

Cash flow provided by financing activities totaled 4.855 billion yen. In the prior year, 1.337 billion yen was used in financing activities.

The cash flow provided in FY 03 came from borrowings to secure working capital beginning in July 2002, and other sources.

Net cash (used in) provided by operating activities (■)
Net cash used in investing activities (■)
Free cash flows (—)



Non-consolidated Balance Sheet

(In thousand yen, rounded off to thousands)

	FY 6/01 As of June 30, 2001	FY 6/02 As of June 30, 2002	FY 6/03 As of June 30, 2003
Assets			
Current assets	9,811,806	11,490,686	12,951,541
Fixed assets	29,688,703	31,225,903	33,848,041
Property, plant and equipment	841,410	1,082,200	1,344,934
Intangible assets	241,787	316,559	252,595
Investments & other assets	28,605,505	29,827,143	32,250,511
Total assets	39,500,510	42,716,590	46,799,583
Liabilities			
Current liabilities	7,932,279	8,779,614	10,952,446
Fixed liabilities	21,291	176,286	390,286
Total liabilities	7,953,571	8,955,901	11,342,733
Shareholders' equity			
Common stock	13,632,160	13,674,660	—
Capital reserve	15,357,399	16,345,269	—
Legal reserve	31,606	47,826	—
Retained earnings	2,525,773	3,705,415	—
Unrealized holding loss on securities	—	(11,953)	—
Treasury stock	—	(529)	—
Total shareholders' equity	31,546,939	33,760,689	—
Common stock	—	—	13,674,660
Additional paid-in capital	—	—	16,345,269
Retained earnings	—	—	5,420,113
Unrealized holding loss on securities	—	—	20,245
Treasury stock	—	—	(3,439)
Total shareholders' equity	—	—	35,456,849
Total liabilities & shareholders' equity	39,500,510	42,716,590	46,799,583

Non-consolidated Statement of Income

(In thousand yen, rounded off to thousands)

	FY 6/01 From July 1, 2000 To June 30, 2001	FY 6/02 From July 1, 2001 To June 30, 2002	FY 6/03 From July 1, 2002 To June 30, 2003
Turnover	21,004,224	25,664,531	36,310,431
Cost of sales	13,533,028	16,745,351	24,139,083
Gross profits	7,471,195	8,919,180	12,171,348
Selling, general & administrative expenses	4,990,972	6,113,385	8,381,129
Operating income	2,480,223	2,805,794	3,790,219
Non-operating income	313,816	120,499	155,028
Non-operating expenses	92,730	152,412	174,105
Recurring profit	2,701,308	2,773,881	3,771,141
Extraordinary gain	187,526	—	1,175,000
Extraordinary loss	46,311	179,683	1,225,776
Income before income taxes and other adjustment	2,842,524	2,594,198	3,720,365
Income taxes-current	1,350,000	1,230,000	1,870,000
Income taxes-deferred	(76,379)	(39,092)	(169,841)
Net income	1,568,904	1,403,290	2,020,206
Unappropriated retained earnings brought forward	1,005,342	2,347,351	3,535,875
Interim dividends	44,067	46,191	184,761
Legal reserve of retained earnings for interim dividends	4,406	—	—
Reversal of legal reserve of retained earnings for interim dividends	—	—	47,826
Unappropriated retained earnings at end of term	2,525,773	3,704,450	5,419,148

Statement of appropriation of retained earning

(In thousand yen, rounded off to thousands)

	FY 6/01 September 27, 2001	FY 6/02 September 26, 2002	FY 6/03 September 10, 2003
Unappropriated retained earnings at end of term	2,525,773	3,704,450	5,419,148
Reversal of voluntary reserve	—	—	964
Appropriation of Retained Earnings	178,421	168,574	244,758
Legal reserve of retained earnings	16,220	—	—
Dividends	132,201	138,574	184,758
Bonus paid to directors	30,000	30,000	60,000
(Bonus paid to auditors included)	(1,000)	(1,000)	(3,000)
Balance to be carried forward	2,347,351	3,535,875	5,175,354

(Note) Date is the day approved the general meeting of shareholders

Company Name:	The Goodwill Group, Inc.
Headquarters:	Roppongi Hills Mori Tower 35th Floor 6-10-1 Roppongi, Minato-ku, Tokyo
Chairman and CEO:	Masahiro Origuchi
Established:	February 1, 1995
Capital:	¥13.675 billion

Business Areas:

1. Management consulting
2. Contract sorting, packaging and merchandise distribution services.
3. Arrangements for parties, meetings, and exhibitions and planning and management of various types of ceremonies.
4. Cleaning of construction sites and transport of materials to and from construction sites.

Employees:	Regular-749, Junior-1,025,
(As of June 30, 2003)	Total-1,774

Directors:

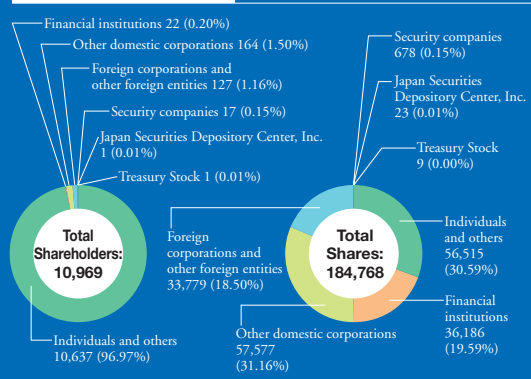
(As of September 10, 2003)

Chairman and CEO	Masahiro Origuchi
President and COO	Shinichiro Kawakami
Managing Director and CFO	Akira Kanazaki
Managing Director	Akifumi Kamiya
Executive Adviser and Director	Koushiro Ohnishi
Statutory Auditor	Tadashi Minobe
Statutory Auditor	Takao Sugino
Statutory Auditor	Toru Fujino
Auditor	Nariaki Ishii
Auditor	Yasuhiko Tanaka
Operating Officer	Hideaki Kawakami
Operating Officer	Mitsuhiro Hanada
Operating Officer	Kazuaki Nakamoto

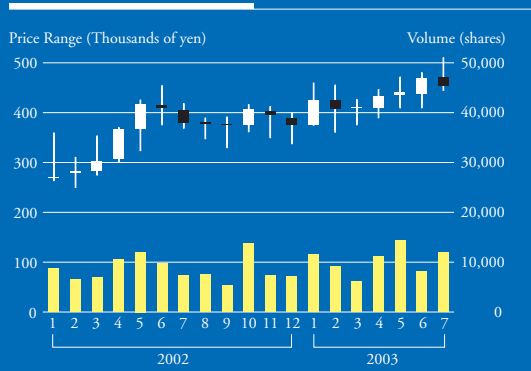
(Note) Osamu Fujino, Nariaki Ishii, and Yasuhiko Tanaka are outside corporate auditors called for by Article 18, paragraph 1 of the Law Concerning Special Exceptions to the Commercial Code on Audit, etc. of Corporations.

Total Shares Issued:	700,000 shares
Shares Outstanding:	184,768 shares
Total Shareholders:	10,969

Shareholders by Type



Share Price and Volume



Information for Shareholders

• End of Fiscal Year

June 30

• Regular General Shareholders' Meeting

September of each year

• Reference Date

June 30 of each year

In addition to the above, dates announced ahead of time, when necessary.

• Transfer Agent

The Chuo Mitsui Trust and Banking Company, Limited
3-33-1 Shiba, Minato-ku, Tokyo

• Place Where Transfer Services are Performed

2-8-4 Izumi, Suginami-ku, Tokyo 168-0063

TEL. +81-3-3323-7111

• Places Where Shareholders May Address Transfer-related Matters

The Chuo Mitsui Trust and Banking Company, Limited branches located throughout Japan
Japan Securities Agents, Ltd. headquarters and branch offices located throughout Japan

(Notifications)

For customers in Japan, forms for address changes, requests that the company purchase fractional shares, transfer requests, and dividend payment instructions may be placed 24 hours a day by dialing 0120-87-2031 (toll-free).

• Announcements Published in:

Nihon Keizai Shimbun

• The Balance Sheet and Profit & Loss Statement may be viewed at the following homepage address:

<http://www.gwg.co.jp/kessan/index.html>