



The Goodwill Group, Inc.

## 13th Business Report

July 1, 2006 to June 30, 2007



## **Declaration of Compliance**

Corporate Ethical Standard of the Goodwill Group

**The Goodwill Group will comply with laws and regulations and fulfill corporate social responsibility based on a high level of ethics.**

The Goodwill Group operates businesses that make a significant contribution to society, such as solving problems regarding human resources and employment and restructuring society and improving its efficiency. As the market leader and a good corporate citizen, we believe that improving management transparency through compliance with laws and regulations and the disclosure of information to protect the rights and interests of all stakeholders, such as shareholders, customers, business partners and employees, will maximize corporate value. We pledge to manage the Group with the highest emphasis on corporate governance and the full enforcement of compliance to fulfill our social responsibility.

As part of this commitment, we have built a system to solve problems quickly with the cooperation of all officers and employees of the Group. In addition, we not only continue to work towards the acquisition of certifications such as the International Organization for Standardization (ISO) and the Privacy Mark, we are also vigorously pushing forward with corporate governance and compliance by regularly holding meetings such as the Group Compliance Promotion Conference.

Through these unstinting efforts, we aim to become an attractive company in which all employees can contribute to society with a high level of ethics and commitment to take on issues as their own challenges.

July 2007

## Message from the Chairman

On behalf of the Goodwill Group, I would like to express our gratitude for the continuing support we have received from our shareholders.

I take pleasure in reporting to our shareholders on the financial results of the Goodwill Group for the 13th term (from July 1, 2006 to June 30, 2007).

Before reporting the financial results and business activities, I would like to first explain the series of events relating to action taken by the Ministry of Health, Labour and Welfare regarding misconduct of COMSN, Inc. (“COMSN”).

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Based on the provision in Article 245-4, Paragraph 1 of the Local Government Law, the Ministry of Health, Labour and Welfare gave a notice of the “Response, Etc. to Misconduct of COMSN” regarding the Goodwill Group subsidiary COMSN, which operates a nursing care service business under the Nursing Care Insurance Law, to the general managers in charge of the nursing care insurance in prefectures, designated cities and core cities on June 6, 2007. In the notice, the Ministry of Health, Labour and Welfare issued a technical guidance noting that “the appointment, permission and renewal of a license as a nursing care service provider shall not be given to any office of COMSN for five years from the day the misconduct was committed,” on the grounds that COMSN “received the appointment by fraudulent means” at eight offices in five prefectures. As a result, COMSN has become unable to receive the appointment, permission or renewal of a license as a nursing care service provider under the Nursing Care Insurance Law from June 6, 2007 to December 2, 2011.

The Goodwill Group has decided to withdraw from all nursing care businesses and nursing care-related businesses as the Group at the completion of the handover of these businesses to other service providers, to take responsibility for the actions of COMSN, which significantly undermined confidence in the nursing care insurance system. On July 31, 2007, COMSN submitted to the Ministry of Health, Labour and Welfare a “Business Transfer Plan,” under which COMSN would transfer its nursing care service business to service providers outside the Goodwill Group.

In light of the public opinions and notions of local governments that the Goodwill Group must take into consideration so that it can reflect the characteristics of local communities in the Business Transfer Plan of COMSN, the Goodwill Group has decided, as a general rule, to transfer the nursing care service business of COMSN by dividing it into the home nursing service and an institutional nursing service and then dividing the former into 47 segments by prefecture and transferring the latter to a single corporation on the nationwide basis.

With respect to candidate buyers, a third-party panel of experts has set out the screening criteria in view of requirements such as the continuation of services to all customers and the job security of COMSN employees, and will select the candidates according to the screening criteria. After the candidates are selected by the third-party panel, the buyers will be formally chosen through consultation on the details of the business transfer between COMSN and the candidates.

COMSN will be responsible for the continuation of services for customers until the business transfer is completed. The Goodwill Group is also transferring all nursing care businesses and nursing care-related businesses within the Group, while simultaneously moving ahead with the business restructuring of the Group.

We are committed to rebuilding confidence through the provision of best quality services, strengthening our compliance and corporate governance systems with the concerted efforts of all officers and employees and getting the Goodwill Group off to a fresh start.

We sincerely apologize to our shareholders for any inconvenience and concern, and ask for the continued understanding and support of all stakeholders.

Masahiro Origuchi  
Chairman and CEO,  
The Goodwill Group, Inc.

## Compliance and Corporate Governance

With the aim of becoming a company that is able to once again win the confidence of customers, the Goodwill Group will strengthen its compliance and corporate governance systems with the concerted efforts of all officers and employees, getting the Goodwill Group off to a fresh start.

The Goodwill Group has established the Declaration of Compliance in July 2007 as the Corporate Ethical Standard of the Group, as shown on page 1, to fulfill its social responsibility based on a high level of ethics and compliance.

### System for achieving the right quality of business

To ensure that the execution of duties complies with the relevant laws and regulations and the Articles of Incorporation, the Goodwill Group is taking steps to establish the following systems and is taking a comprehensive approach to enforcing the operation of the systems at every level of the company.

- |  |  |
|--|--|
| ● Full enforcement of the Corporate Ethical Standard of the Goodwill Group | ● Full enforcement of the Compliance Rules     |
| ● Preparation of a Compliance Manual                                       | ● Implementation of a Compliance Seminar       |
| ● Full enforcement of the Personal Information Protection Rules            | ● Full enforcement of the Internal Audit Rules |

### Introduction of outside directors

The Goodwill Group will execute a five-director system, including three outside directors, to reinforce the auditing function and improve the transparency of the Board of Directors.

● <b>Shinich Horii</b>	Date of birth: December 16, 1936	Graduated from School of Commerce of Waseda University
July 1961	Joined Daiwa Securities Co., Ltd.	
June 1992	Vice President & Representative Director, the above	
June 1994	President and CEO, NIF Ventures Co., Ltd.	
November, 2002	Chairman, Japan Venture Capital Association	
July 2004	Chairman, Entrepreneurial Forum Executive Committee, Committee on New Industries and New Businesses, Nippon Keidanren (current position) Representative, Office HORII (current position)	

● <b>Ryutaro Katayama</b>	Date of birth: April 5, 1957	Graduated from Faculty of Economics of Keio University MBA, Business School of Harvard University
June 1994	President and CEO, Maruman Golf Co., Ltd.	
June 2004	Outside Director, Kanebo Cosmetics, Inc.	
June 2004	Part-time Auditor, Fuji Yogyo Co., Ltd.	
October 2006	Chairman, President and CEO, Giuliani Compliance Japan Inc. (current position)	

● <b>Yukio Akamatsu</b>	Date of birth: September 25, 1946	Graduated from First School of Law of Waseda University
April 1974	Appointed public prosecutor, assigned to Tokyo District Public Prosecutor's Office	
April 1989	Registered as Attorney-at-Law (First Tokyo Bar Association)	
April 2004	Visiting Professor, School of Law, Toin University of Yokohama Advisor, Compliance Research Center, Toin University of Yokohama (current position)	
April 2007	Member, Bidding and Contract Compliance Committee, Ministry of Justice (current position)	

\*Major business law cases after registration as attorney-at-law:

Risk management and compliance cases (Ryowa Life, Schindler Elevator, Fujiya, Ministry of Land, Infrastructure and Transport, etc.)

## Vision of the newborn Goodwill Group

### Focus on the human resources outsourcing business

The Goodwill Group will focus on the human resources outsourcing and contracting business, including engineer outsourcing and senior outsourcing services as the primary core business by transferring all nursing care and nursing care-related businesses and restructuring businesses of the Group with the aim of becoming a group that responds comprehensively to all human resources.

# The Goodwill Group




The Goodwill Group is a group of companies that provide comprehensive human resources services.

Pure holding company: The Goodwill Group, Inc. (First Section of the Tokyo Stock Exchange: 4723)

#### General

-  **Goodwill**  
The Goodwill, Inc.  
(Comprehensive human resources service)
-  **Premier Staff**  
Premier Staff Co., Ltd.  
(Outsourcing of clerical workers)
-  **Premier Service**  
Premier Service, Inc. (Light labor)
-  **CBS**  
CBS Co., Ltd. (Sales)

#### Manufacturing

-  **Hi-LINE**  
Hi-Line, Inc. (Manufacturing)
-  **c style**  
C Style, Inc. (Manufacturing)
-  **技能育成センター**  
Skillup Center Co., Ltd.  
(Training and outsourcing of engineers)

#### Medical

-  **Premier Medical Care**  
Premier Medical Care, Inc. (Medical)
-  **Medical Research**  
Medical Research Co. Ltd.  
(Clinical development, clinical trial)

#### Overseas

- **USA**
-  **Technical Aid Corporation**  
(IT, outsourcing of engineers)
-  **Advantage Human Resourcing**  
(Outsourcing of clerical workers in financial/legal sectors)
-  **Talent Tree**  
(Outsourcing of clerical workers/manufacturing staff)
-  **WillStaff**  
(Light labor, outsourcing of manufacturing staff)
-  **The Holland Group of Tennessee**  
(Outsourcing of light labor staff/contracting of labor)

#### Engineering

-  **Goodwill Engineering\***  
(Comprehensive engineering service)

-  **Ctec**  
C-Tech Corporation  
(Comprehensive engineering service)
-  **CIT**  
CIT, Inc.  
(Comprehensive engineering service)
-  **CSI**  
CSI Co., Ltd.  
(IT, software development)

-  **Buntechno**  
Buntechno Co., Ltd.  
(Manufacturing technology)
-  **TST**  
TST, Inc. (Manufacturing technology)
-  **Hitec**  
Hitec Co., Ltd. (Chemical, biotechnology)

#### Security/Construction

-  **ISM**  
Security Construction Management Co. Ltd.  
(Construction outsourcing)
-  **Nikko CSS**  
Nikko Customer Satisfaction Supply Co., Ltd.  
(Outsourcing of construction managers)
-  **Sanyo Nice Corporation**  
Sanyo Nice Corporation  
(Outsourcing of construction managers)

-  **GW America**  
(Human resources service)
- **Europe**
-  **GW Professional UK**  
(Outsourcing of secretary/financial clerical workers)
-  **Technical Aid Corporation UK**  
(IT, outsourcing of engineers)

- **Asia**
- Taiwan
-  **Goodwill Taiwan**  
(Human resources outsourcing)
- Dalian
-  **Goodwill Engineering Dalian**  
(Software quality assurance support/BPO)
- Shanghai
-  **Goodwill Engineering Shanghai**  
(IT solutions service)
- Vietnam
-  **Goodwill Engineering Vietnam**  
(IT software development)

#### Staff placement

-  **Goodwill Career\***  
Goodwill Career, Inc.

#### Event/SP

-  **SOAR**  
Soar Co. Ltd. (Sales promotion)

#### Counseling

-  **Goodwill Foresight\***  
Goodwill Foresight, Inc.

## Transfer of Nursing Care Businesses and Nursing Care-Related Businesses to Other Service Providers

(As of September 11, 2007)

1. Based on a proposal made by a third-party panel, the Boards of Directors of the Goodwill Group and COMSN, a subsidiary of the Goodwill Group, resolved at a meeting held on August 28, 2007 to transfer the institutional nursing service of COMSN to a subsidiary of Nichii Gakkan Company. A spin-off agreement was concluded on the same day.
2. Based on a proposal made by a third-party panel, the Boards of Directors of the Goodwill Group and COMSN resolved at a meeting held on September 4, 2007 to begin discussing the transfer of the home nursing service of COMSN as follows.
3. The Boards of Directors of the Goodwill Group, Premier Medical Care, Inc., a subsidiary of the Goodwill Group, and COMSN resolved at a meeting held on September 7, 2007 to assign all shares in Nihon Silver Service Co., Ltd. owned by Premier Medical Care, Inc. and all shares in COMSN Kanto, Inc. owned by COMSN, and assigned these shares for 300 million yen and 40 million yen, respectively, on the same day.
4. The Boards of Directors of the Goodwill Group and COMSN resolved at a meeting held on September 7, 2007 to sell land and buildings that are owned by COMSN and leased to Nihon Silver Service Co., Ltd. (including the land and buildings of the Outouen Yokohama-Midori private nursing homes operated by Nihon Silver Service Co., Ltd.) to Nichii Gakkan Company in relation to the assignment of shares in 3., above, and assigned the land for 193 million yen and the buildings for 291 million yen on the same day.
5. The Goodwill Group is currently conducting a search for a buyer of its assisted-living private nursing home business and the high-grade cared-living residence business and expects that the Group will be able to select a buyer and enter into an agreement by mid-September.  
We are also selecting a buyer for the shares of Crystal Nursing Care Center Co. Ltd. and Crystal Nursing Care Facility Center Co. Ltd.

1.

Recipient	Subsidiary of Nichii Gakkan Company
Business involved	Institutional nursing services of COMSN
Reason for spin-off	The withdrawal of the Goodwill Group from all nursing care businesses with the completion of the handover of these businesses to other service providers, to take responsibility for the actions of COMSN which significantly undermined confidence in the nursing care insurance system.
Scheduled date of spin-off	November 1, 2007
Legal structure	Spin-off with COMSN the company conducting the spin off with Nichii Gakkan Company the succeeding company
Summary of accounting procedure	The assets and liabilities of COMSN as of October 31, 2007 will be spun off to a subsidiary of Nichii Gakkan Company at appropriate book values, for a total consideration of 21,000 million yen.

2.

Recipient	(1) Subsidiaries of Japan Care Service Co. Ltd. Hokkaido, Iwate, Akita, Yamagata, Fukushima, Tochigi, Saitama, Chiba, Tokyo, Kanagawa, Niigata, Ishikawa and Fukui Prefectures (2) Subsidiaries of Saint-Care Holding Corporation Miyagi, Ibaraki, Yamanashi, Shizuoka, Wakayama, Tokushima, Kagawa, Ehime, Saga, Nagasaki, Oita and Miyazaki Prefectures (3) Subsidiaries of Nichii Gakkan Company Nagano, Gifu, Aichi, Kyoto and Hyogo Prefectures (4) Subsidiaries of Japan Longlife Co., Ltd. Osaka Prefecture (5) Fifteen other service providers
Business involved	Home nursing services of COMSN
Reason for spin-off	The withdrawal of the Goodwill Group from all nursing care businesses with the completion of the handover of these businesses to other service providers, to take responsibility for the actions of COMSN which significantly undermined confidence in the nursing care insurance system.
Scheduled date of spin-off	November 1, 2007 or December 1, 2007
Legal structure	Spin-off or business assignment with COMSN being the company conducting the spin off or assignment and the companies above being the succeeding or assignee companies

\*The Boards of Directors of the Goodwill Group and COMSN resolved at a meeting held on September 10, 2007 to transfer the businesses of Japan Care Service Co. Ltd. and Saint-Care Holding Corporation, and concluded a spin-off agreement on the same day.  
The accounting procedure is as follows.

Japan Care Service Co. Ltd.	Assets and liabilities as of October 31, 2007 or November 30, 2007 will be spun off at appropriate book values to subsidiaries of Japan Care Service Co. Ltd., for a total consideration of 2,254 million yen.
Saint-Care Holding Corporation	The assets and liabilities as of October 31, 2007 or November 30, 2007 will be spun off at appropriate book values to subsidiaries of Saint-Care Holding Corporation, for a total consideration of 1,500 million yen.

3. 4.

Recipient	Nichii Gakkan Company
Business spun off	Nihon Silver Service Co., Ltd.: Facility nursing care services COMSN Kanto, Inc.: Day services
Reason for spin-off	The withdrawal of the Goodwill Group from all nursing care businesses with the completion of the handover of these businesses to other service providers, to take responsibility for the actions of COMSN which significantly undermined confidence in the nursing care insurance system.
Date of spin-off	September 7, 2007
Legal structure	Assignment of shares
Land and building of Outouen Yokohama-Midori	Assignment of assets: 485 million yen

## Financial Results

### Status of Business for Fiscal Year Ended June 30, 2007

During the fiscal year under review, the Japanese economy continued to enjoy a moderate recovery backed by firm capital investment in the private sector and improving consumer spending on the strength of robust corporate earnings, despite concerns such as the decelerating US economy and developments in the foreign exchange market.

#### Human Resources Outsourcing Service

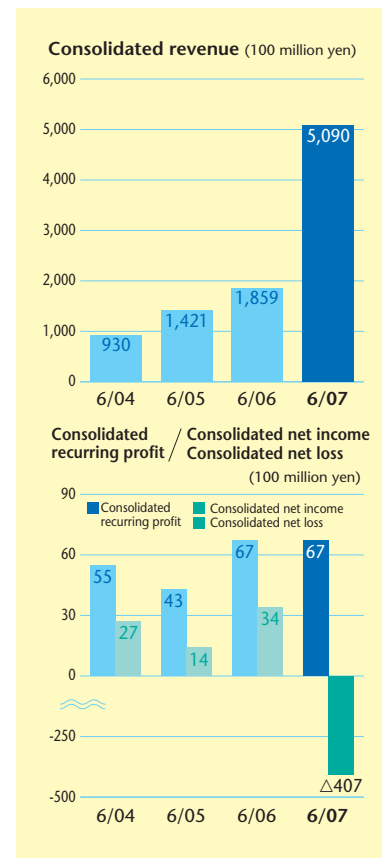
In October 2006, Goodwill Premier, Inc., which operates a human resources outsourcing and contracting business, and its subsidiaries (collectively “the Premier Group”) were consolidated as subsidiaries of the Goodwill Group through a process of mergers and acquisitions (M&A). As a result, the consolidation of operating results of the Premier Group for the six months from October 2006 to March 2007 made a significant contribution to the consolidated financial results of the Goodwill Group. With demand for human resources outsourcing remaining robust, the result of a shortage of manpower in a healthy business environment, the human resources outsourcing and contracting business remained firm.

#### Nursing Care Service

Following the amendment of the Nursing Care Insurance Law in April 2006, it has become extremely difficult to generate a profit, particularly in the home nursing care service. The Goodwill Group is carrying forward the transfer of all nursing care businesses and nursing care-related businesses of COMSN and the Group, as mentioned.

However, consolidated revenue for the fiscal year under review increased a significant 323.052 billion yen over the previous year, to 509.001 billion yen, as a result of the consolidation of the Premier Group, the solid business performance of the human resources outsourcing and contracting business, and the contribution of the aggressive M&A activities undertaken by the Goodwill Group.

On the profit front, recurring profit declined slightly from the previous year, to 6.794 billion yen, reflecting an increase in interest expenses and amortization of goodwill and the weaker performance of COMSN, despite the leveraging of aggressive M&A activities. The Group posted a net loss of 40.708 billion yen, compared with a net income of 3.429 billion yen for the previous year, mainly because of the posting of impairment losses in the nursing care and medical business.



### Profit Distribution and Outlook for Fiscal Year Ending June 30, 2008

The Goodwill Group decided not to pay an interim dividend and does not plan to pay a year-end dividend for the fiscal year under review. We sincerely apologize to shareholders and ask for their understanding.

All officers and employees of the Group are united in their commitment to improve operating results to meet the expectations of shareholders and to pay dividends in the 14th tem (ending June 30, 2008). We ask for the continued understanding and support of all shareholders.

## Consolidated Financial Statements (Summarized Version)

### Consolidated Balance Sheet

(In million yen, rounded off to millions)

	FY 6/06 As of June 30, 2006	FY 6/07 As of June 30, 2007
<b>Assets</b>		
Current assets	49,775	201,311
Fixed assets	89,766	165,327
Property plant and equipment	45,479	67,382
Intangible assets	33,540	75,992
Investments & other assets	10,746	21,952
Total assets	139,541	366,638
<b>Liabilities</b>		
Current liabilities	42,778	285,524
Fixed liabilities	46,029	45,156
Total liabilities	88,808	330,680
<b>Net assets</b>		
Shareholders' equity	49,431	9,516
Common stock	26,618	26,618
Capital surplus	35,620	35,980
Retained earnings	△8,830	△50,576
Treasury stock	△3,978	△2,506
Valuation and translation variance	△39	44
Unrealized loss on holdings of securities	6	△73
Profit/loss on deferred hedges	△59	△47
Foreign currency translation adjustment account	14	165
Minority interest	1,341	26,396
Total net assets	50,733	35,957
Total liabilities and net assets	139,541	366,638

### Consolidated Interim Statement of Income

(In million yen, rounded off to millions)

	FY 6/06 From July 1, 2005 To June 30, 2006	FY 6/07 From July 1, 2006 To June 30, 2007
Revenue	185,948	509,001
Cost of sales	123,779	386,397
Gross profits	62,168	122,603
Selling, general & administrative expenses	54,273	112,657
Operating profit	7,895	9,945
Non-operating profit	480	2,199
Non-operating expenses	1,671	5,351
Recurring profit	6,704	6,794
Extraordinary gains	256	1,133
Extraordinary losses	330	41,183
Income before income taxes and other adjustments (△)	6,630	△33,256
Income taxes-current	4,326	5,807
Income taxes-deferred	△1,000	868
Profit or loss of minority shareholders (△)	△124	776
Net income or net loss (△)	3,429	△40,708

### Interim Consolidated Balance Sheet Highlights

**Current assets** ● Current assets increased 151.536 billion yen from the end of the previous year, to 201.311 billion yen. This increase reflected a rise of 43.285 billion yen to 59.601 billion yen in cash on hand and deposits of Crystal Co., Ltd. (now Goodwill Premier, Inc.) following the acquisition of the company and an increase of 1.350 billion yen in notes and accounts receivable, to 86.458 billion yen.

**Property plant and equipment** ● Property plant and equipment increased 75.560 billion yen to 165.327 billion yen. This rise was primarily attributable to an increase of 31.268 billion in the goodwill following the acquisition of Crystal Co., Ltd. (now Goodwill Premier, Inc.) and an increase of 17.648 billion yen in buildings and structures owing to the construction of BARRINGTON HOUSE Kichijoji.

**Current liabilities** ● Current liabilities increased 242.745 billion yen to 285.524 billion yen. This increase was primarily due to a rise of 148.471 billion yen in short-term borrowings made to raise funds to carry out M&A during the term including the acquisition of Crystal Co., Ltd. (now Goodwill Premier, Inc.).

**Fixed liabilities** ● Fixed liabilities decreased 0.873 billion yen to 45.156 billion yen.

**Net Assets** ● Total net assets decreased 14.775 billion yen to 35.957 billion yen. This decline was primarily attributable to a fall in the net loss of 40.708 billion yen and an increase in minority interests of 25.055 billion yen following the acquisition of Crystal Co., Ltd. (now Goodwill Premier, Inc.).

### Interim Consolidated Statement of Income Highlights

**Revenue** ● Revenue increased 323.052 billion yen to 509.001 billion yen. This rise is primarily attributable to an increase in revenue of 247.231 billion yen and the expansion of the human resources outsourcing and contracting business associated with the acquisition of Crystal Co., Ltd. (now Goodwill Premier, Inc.).

**Net Income** ● A net loss of 40.708 billion yen was recorded (compared with net income of 3.429 billion yen in the previous year). This decline was mainly the result of losses associated with the withdrawal from the nursing care and medical business including COMSN and the posting of an estimated amount of payment in data equipment expenses.

## Statement of Variance in Consolidated Interim Shareholders' Equity

(In million yen, rounded off to millions)

### Interim Period for FY 6/07

From July 1, 2006 to June 30, 2007

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholder's equity
Balance at end of previous consolidated financial year	26,618	35,620	△8,830	△3,978	49,431
Variance during this consolidated interim term					
Retained earnings dividends	—	—	△1,038	—	△1,038
Net income	—	—	△40,708	—	△40,708
Acquisition of treasury stock	—	—	—	△682	△682
Stock swap	—	359	—	2,154	2,514
Reduction in surplus through increase in consolidated subsidiaries	—	—	—	—	—
Variance during this financial year of items not included in shareholder's equity (net value)	—	—	—	—	—
Total variance during this consolidated financial year	—	359	△41,746	1,471	△39,914
<b>Closing balance for this consolidated financial year</b>	<b>26,618</b>	<b>35,980</b>	<b>△50,576</b>	<b>△2,506</b>	<b>9,516</b>

	Valuation and translation variance				Minority interest	Total net assets
	Unrealized loss on securities	Profit/loss on deferred hedges holdings of account	Foreign currency translation adjustment variance	Total valuation and translation		
Balance at end of previous consolidated financial year	6	△59	14	△39	1,341	50,733
Variance during this consolidated interim term						
Retained earnings dividends	—	—	—	—	—	△1,038
Net income	—	—	—	—	—	△40,708
Acquisition of treasury stock	—	—	—	—	—	△682
Stock swap	—	—	—	—	—	2,514
Reduction in surplus through increase in consolidated subsidiaries	—	—	—	—	—	—
Variance during this financial year of items not included in shareholder's equity (net value)	△79	12	151	83	25,055	25,138
Total variance during this consolidated financial year	△79	12	151	83	25,055	△14,775
<b>Closing balance for this consolidated financial year</b>	<b>△73</b>	<b>△47</b>	<b>165</b>	<b>44</b>	<b>26,396</b>	<b>35,957</b>

## Consolidated Cash Flow Statement (In million yen, rounded off to millions)

	FY 6/06 From July 1, 2005 To June 30, 2006	FY 6/07 From July 1, 2006 To June 30, 2007
Net cash (used in) provided by operating activities	7,138	△9,380
Net cash used in investing activities	△13,526	△45,512
Net cash provided by financing activities	△1,124	96,382
Exchange rate difference on cash & cash equivalents	0	96
Increase in cash & cash equivalents	△7,510	41,585
Cash & cash equivalents at beginning of period	23,187	16,315
Increase in cash & cash equivalents through increase in consolidated subsidiaries	638	—
Cash & cash equivalents at end of period	16,315	57,901

## Consolidated Cash Flow Statement Highlights

Cash and cash equivalents ("cash") for the consolidated accounting period under review came to 57.901 billion yen, a 41.585 billion yen increase compared to the same period a year ago.

**Net cash (used in) provided by operating activities** • Cash used in operating activities came to 9.380 billion yen (a 7.138 billion yen increase compared to the same period a year ago). This result principally reflected the taxes paid by Crystal Co., Ltd. (now Goodwill Premier, Inc.) and the solid performance of the human resources outsourcing and contracting business including Crystal Co., Ltd. (now Goodwill Premier, Inc.) which was acquired during the term.

**Net cash used in investing activities** • Cash used in investing activities came to 45.512 billion yen (a 13.526 billion yen decrease compared to the same period a year ago). This figure reflects the acquisition of Crystal Co., Ltd. (now Goodwill Premier, Inc.) and others.

**Net cash provided by financing activities** • Cash provided by financing activities came to 96.382 billion yen (a 1.124 billion yen decrease compared to the same period a year ago). The result was primarily the result of raising funds for the acquisition of Crystal Co., Ltd. (now Goodwill Premier, Inc.).

## Non-Consolidated Interim Financial Statements (Summarized Version)

### Non-consolidated Balance Sheet

(In million yen, rounded off to millions)

	FY 6/06 As of June 30, 2006	FY 6/07 As of June 30, 2007
<b>Assets</b>		
Current assets	8,923	82,909
Fixed assets	116,897	175,383
Property plant and equipment	38,268	43,380
Intangible assets	11	9
Investments & other assets	78,616	131,994
Total assets	125,820	258,293
<b>Liabilities</b>		
Current liabilities	21,696	221,643
Fixed liabilities	59,653	22,076
Total liabilities	81,349	243,719
<b>Net assets</b>		
Shareholders' equity	44,524	14,619
Common stock	26,618	26,618
Capital surplus	16,077	16,261
Retained earnings	5,806	△25,755
Treasury stock	△3,978	△2,506
Valuation and translation variance	△53	△45
Unrealized loss on holdings of securities	6	2
Profit/loss on deferred hedges	△59	△47
Total net assets	44,471	14,573
Total liabilities and net assets	125,820	258,293

### Non-consolidated Statement of Income

(In million yen, rounded off to millions)

	FY 6/06 From July 1, 2005 To June 30, 2006	FY 6/07 From July 1, 2006 To June 30, 2007
Operating profits	5,699	10,584
Operating expenses	3,161	5,692
Operating income	2,537	4,891
Non-operating income	322	341
Non-operating expenses	1,372	3,595
Recurring profit	1,488	1,637
Extraordinary gain	204	658
Extraordinary loss	55	32,796
Income or loss before income taxes and other adjustment	1,636	△30,500
Income taxes-current	58	5
Reversal of the prior year's income taxes	—	△88
Deferred income taxes	△15	106
Net income or net loss (△)	1,594	△30,523

### Non-consolidated Statement of Changes in Net Assets

(In million yen, rounded off to millions)

FY 6/07 From July 1, 2006 to June 30, 2007	Shareholders' equity							
	Common stock	Capital surplus			Earned surplus		Treasury stock	Total shareholder's equity
		Capital reserve	Other capital surplus	Total capital surplus	Other earned surplus	Total earned surplus		
Fiscal year ended June 30, 2006	26,618	16,077	—	16,077	5,806	5,806	△3,978	44,524
Changes during the term								
Reversal of capital reserve	—	△9,422	9,422	—	—	—	—	—
Dividends from surplus	—	—	—	—	△1,038	△1,038	—	△1,038
Net loss	—	—	—	—	△30,523	△30,523	—	△30,523
Repurchase of treasury stock	—	—	—	—	—	—	△682	△682
Stock swap	—	—	184	184	—	—	2,154	2,339
Net changes in items other than owners' equity	—	—	—	—	—	—	—	—
Total change during the term	—	△9,422	9,607	184	△31,562	△31,562	1,471	△29,905
<b>Balance as of June 30, 2007</b>	<b>26,618</b>	<b>6,654</b>	<b>9,607</b>	<b>16,261</b>	<b>△25,755</b>	<b>△25,755</b>	<b>△2,506</b>	<b>14,619</b>

	Valuation and translation variance			Total valuation and translation	Total net assets
	Unrealized loss on securities	Profit/loss on deferred holdings of account	Total valuation and translation		
Fiscal year ended June 30, 2006	6	△59	△53	44,471	
Changes during the term					
Reversal of capital reserve	—	—	—	—	
Dividends from surplus	—	—	—	△1,038	
Net loss	—	—	—	△30,523	
Repurchase of treasury stock	—	—	—	△682	
Stock swap	—	—	—	2,339	
Net changes in items other than owners' equity	△4	12	8	8	
Total change during the term	△4	12	8	△29,897	
<b>Balance as of June 30, 2007</b>	<b>2</b>	<b>△47</b>	<b>△45</b>	<b>14,573</b>	

## Corporate Data (As of June 30, 2007)

### Company Overview

- Company Name The Goodwill Group, Inc.
- Address Roppongi Hills Mori Tower 35F,  
Roppongi 6-10-1, Minato-ku, Tokyo
- Representative Masahiro Origuchi
- Date Founded February 1, 1995
- Paid-in Capital ¥26,618,990,000
- Business Description Pure Holding Company
- Employees Regular: 49,206 consolidated (124)  
Part-time: 30,142 consolidated (10)  
Total: 79,348 consolidated (134)  
\*The figures in parentheses are those on a non-consolidated basis.
- Auditor Ernst & Young ShinNihon

### Directors and Auditors (As of September 28, 2007)

Chairman and CEO:	Masahiro Origuchi
President and COO:	Shinichiro Kawakami
Director:	Shinichi Horii
Director:	Ryutaro Katayama
Director:	Yukio Akamatsu
Statutory Auditor:	Tadashi Minobe
Statutory Auditor:	Takao Sugino
Auditor:	Nariaki Ishii
Auditor:	Yasuhiko Tanaka
Senior Executive Officer:	Akifumi Jinno
Senior Executive Officer:	Gaku Shimaoka
Senior Executive Officer and CFO:	Takeo Isaji
Senior Executive Officer:	Satoshi Aoyama
Executive Officer:	Kazuaki Nakamoto
Executive Officer:	Tsuyoshi Hirai
Executive Officer:	Shinji Fukumoto
Executive Officer:	Mitsuhiro Hanata
Executive Officer:	Kazuo Osako
Executive Officer:	Shigeru Wakio
Executive Officer:	Takaki Kobayashi
Executive Officer:	Koichiro Asai
Executive Officer:	Koichi Higuchi
Executive Officer:	Yasufumi Irie

Note 1: Shinichi Horii, Ryutaro Katayama, Yukio Akamatsu are outside directors.

Note 2: Takao Sugino, Nariaki Ishii, and Yasuhiko Tanaka are outside auditors.

## Stock Information (As of June 30, 2007)

### Shares

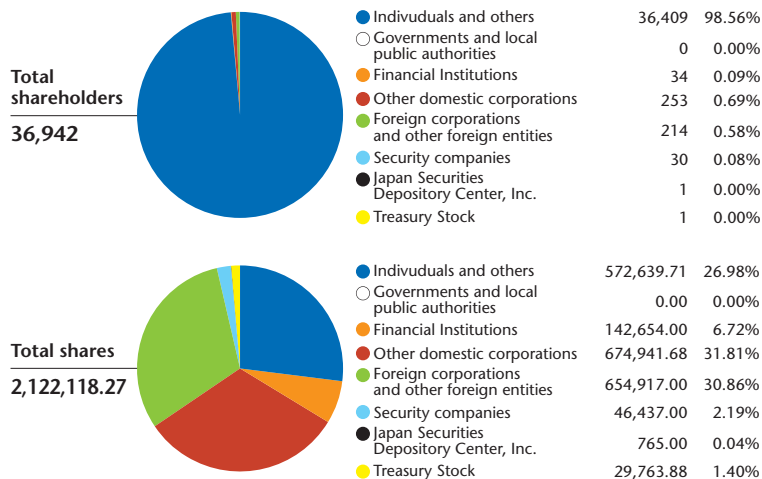
- Total No. of Authorized Shares 6,144,061.00 shares
- Shares Outstanding 2,122,118.27 shares
- Total Shareholders 36,942

### Leading Shareholders

Shareholder	Shares	% of Voting Rights
Origuchi Soken Ltd.	618,207.00	29.13
UBS AG London Asia Equities	183,052.00	8.62
Morgan Stanley and Company International PLC	152,314.00	7.17
Masahiro Origuchi	96,480.00	4.54
The Bank of New York GCM Client Accounts EISG	75,335.00	3.54
The Master Trust Bank of Japan, Ltd. (shares held in trust)	73,908.00	3.48
Sajap	39,652.00	1.86
The Bank of New York Europe Limited 131705	35,299.00	1.66
Esfront, Ltd.	29,500.00	1.39
Goldman Sachs International	20,959.00	0.98

\*29,763.88 shares owned by the Goodwill Group are excluded from leading shareholders.

### Shareholders by Type



## Shareholder Special Benefit Plan



### < Gift coupons of restaurants >

- Shareholding holding 1 to 9 shares: 5,000 yen (5,000 yen coupon ¥ 1)
- Shareholding holding 10 to 19 shares: 10,000 yen (5,000 yen coupon ¥ 2)
- Shareholding holding 20 shares or more: 20,000 yen (5,000 yen coupon ¥ 4)
- Gift coupons can be used at the following restaurants operated by Food Scope, Inc.

Tokyo: ● GOLDEN TONGUE, Ebisu

● MAIMON GINZA, Ginza

Yokohama: ● BISHOKU MAIMON YOKOHAMA, Yokohama Minatomirai

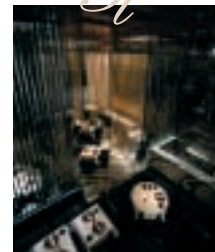
Osaka: ● BISHOKU MAIMON UMEDA, Umeda ● MAIMON UMEDA, Umeda

Nagoya: ● NAGOYA IMAIYA HONTEN, Nagoya ● BISHOKU MAIMON NAGOYA, Nagoya

(Note) For more details on the shareholder special benefit plan, please refer to the website of the Goodwill Group.

Website: <http://www.goodwill.com/gwg/ir/share/yuutai.html>

GOLDEN TONGUE



GOLDEN TONGUE, Ebisu

## Shareholder's Information

- End of fiscal period June 30th
- Annual general shareholder's meeting September
- Reference date June 30th unless advertised in advance when necessary
- Transfer agent The Chuo Mitsui Trust and Banking Co., Ltd.,  
3-33-1 Shiba, Minato-ku, Tokyo
- Place where transfer services are performed The Chuo Mitsui Trust and Banking Co., Ltd.,  
Custody Service Department,  
2-8-4 Izumi, Suginami-ku, Tokyo, 168-0063  
Tel. 0120-78-2031 (Tell-Free within Japan)
- Places where shareholders may address transfer-related matters Nationwide branch offices of The Chuo Mitsui Trust and Banking Co., Ltd., and head quarters and nationwide branch offices of Japan Securities Agents, Ltd.
- Announcement method Our financial reports and other IR documents are published electronically.  
When it is not possible to publish reports electronically, they are published in the *Nihon Keizai Shimbun*.  
IR Website: [www.goodwill.com/koukoku](http://www.goodwill.com/koukoku)



The Goodwill Group, Inc.

Tokyo Stock Exchange Code No: 4723

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