



Goodwill

13th Interim Business Report

July 1, 2006 to December 31, 2006

Message from the Chairman

We have recorded a significant net loss for the interim period under review, primarily because of the application of asset-impairment accounting. As a result, unfortunately we have determined not to distribute interim dividends and also anticipate suspending the payment of year-end dividends.

All our employees are now committed to meeting the shareholders' expectations for the coming fiscal year by improving performance and achieving dividend distribution. We look forward to your continued support and cooperation.

On behalf of the Goodwill Group, I would like to express our hopes for the ongoing prosperity of our shareholders and reiterate our sincere gratitude for their support.


During the interim period under review, we successfully expanded the human resources outsourcing business, the Goodwill Group's core business, and developed M&A strategies in the engineer dispatching business and institutional nursing care business at the beginning of the term, resulting in an increase in sales. In particular, at the end of October 2006, we made Crystal, an unlisted company but a leader in the human resources service industry, a subsidiary. This important event meant major changes in power relationships in the human resources service industry. Results of Crystal for the interim period under review are reflected only on the balance sheets.

While the Group took these initiatives, to respond to the sweeping changes taking place in the business environment, we endeavored to develop a powerful management structure on a consolidated basis. In efforts to meet this goal, we have decided to apply asset-impairment accounting for the interim period under review. As a result, the Group recorded a substantial net loss causing significant problems and concerns for our shareholders. We sincerely regret this development.

I would like to reiterate that the interim period under review has become a turning point for the expansion and growth of the Goodwill Group in the next fiscal period and beyond.

We are committed to developing key business foundations and achieving strategic growth.

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



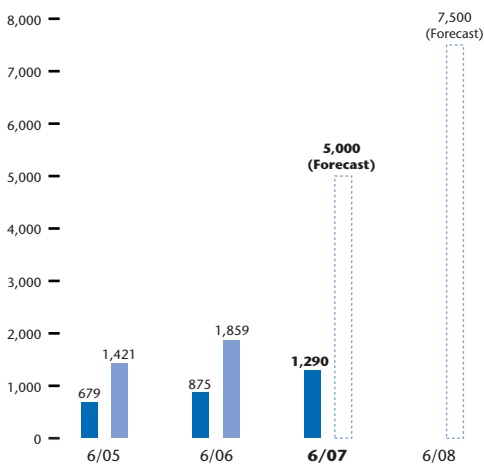
Q1 Please provide an overview of the Goodwill Group's business during its 13th interim period.

A1 During the interim period, the domestic economy continued to grow, benefiting from strong results, especially from large companies. The human resources outsourcing and contracting business, the mainstay of the Goodwill Group, enjoyed a robust performance, buoyed by rising demand for human resources from companies operating in a robust recent Japanese economy and growing recognition of human resources dispatching.

In the nursing care and medical business, it became difficult to retain profits as the business model of the visiting care business, in particular, changed significantly following the revision of the nursing care insurance system in April 2006. Investments in the day service business and other related expenses to respond to requirements from the preventative care business have also become a significant burden in the sector. In the senior residence and restaurant business, the Group is developing a residence business that matches the new lifestyle of seniors. BARRINGTON HOUSE Bajikoen opened in May 2006 and has been well received by tenants. In the restaurant business, we are developing operations both in Japan and overseas. In other businesses, by taking advantage of the increasingly fluidity of the labor market, the Group is engaging in the outplacement support business (which was merged into The Goodwill, Inc. on March 1, 2007), staff placement business and employee counseling business. In addition, the Group manages the child-care management business, child-care subcontracting operations, and babysitter business, which play critical roles in the measures taken to deal with the rising population of seniors and the declining birthrate. We also operate a pet-related business, reflecting the recent boom in the popularity of pets.

For our 13th interim period, consolidated revenue grew 41.502 billion yen, to 129.046 billion yen (a 47.4% year-on-year increase) buoyed by strong performance from the human resources business, the Group's core business,

Revenue by Goodwill (100 million yen)



■ Interim period ■ Full-year

and M&A. Consolidated recurring profit declined 976 million yen, to 2.326 billion yen (a 29.6% year-on-year decline) as a result of the incurrence of expenses for M&A and interest payments. We posted a consolidated net loss of 28.79 billion yen, a year-on-year decline of 30.094 billion yen in profit as a result of the application of asset-impairment accounting to goodwill.

Q2 How do you see market conditions in the human resources outsourcing and contracting business?

A2 To illustrate why the human resources outsourcing and contracting business are regarded as promising growth markets, I would like to first explain the potential size of the market.

The elements of management resources are considered to be people, materials and money. We believe that the market related to human resources has the largest growth potential because its infrastructure is the least developed compared with that of the other elements, namely materials and money.

For example, the size of the labor market including both blue collar and white collar workers is thought to be approximately 79 trillion yen in Japan. At present, the outsourcing market, in which dispatched, part-time or short-term workers replace the employment of full time workers, accounts for approximately 4.3 trillion yen of this 79 trillion yen market, representing an employment replacement rate of only 5.4%. This gives an insight into the possibility for companies to make cost savings and strengthen their competitiveness by changing labor costs from fixed expenses to variable expenses even while the economy is recovering. The increasing number of companies is now actively considering to adopting outsourcing employment. As a result, the size of the human resources outsourcing and contracting market is likely to expand to 15 to 20 trillion yen in the future. Moreover, the global labor market is estimated at approximately 500 trillion yen. But the total visible revenues of human resources service companies currently stands at about 15 trillion yen, representing only 3% of

Untapped Market for the Comprehensive Human Resources Business

	Salaried Market Scale	Replacement Market (Overall outsourcing revenue)	Replacement Rate
● Blue-Collar	44 trillion yen (15 million employees)	2 trillion yen	4.5%
○ White-Collar*	35 trillion yen (12 million employees)	2.3 trillion yen	6.5%
● Total	79 trillion yen (27 million employees)	4.3 trillion yen	5.4%*

* General office workers and unskilled labor. Excludes specialists and managers.

Market set to be worth 15-20 trillion yen in the future.

The salaried market in Japan is worth some 79 trillion yen; within this the light-labor, blue-collar market supports some 15 million workers and is worth around 44 trillion yen, while the white-collar (office worker) market supports around 12 million workers and is worth some 35 trillion yen. The out-sourcing market, in which regular employees are replaced with temporary placement staff, currently stands at around 5.4% of this, and is worth just 4.3 trillion yen at present. However, in the future, this market is likely to grow to be worth some 15 – 20 trillion yen.



TV commercial for mobaito.com

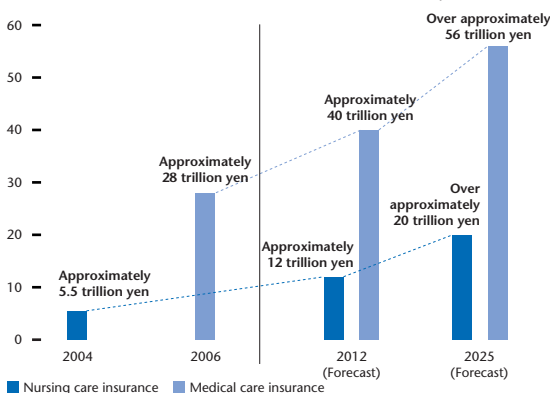
the global labor market. Assuming this ratio increases to 20%, the size of the global outsourcing market will rise to approximately 100 trillion yen in the future. This is why we believe the outsourcing market is likely to grow rapidly in both Japan and overseas.

The lineup of services of the Goodwill Group has been boosted by the recent addition of Crystal as a consolidated subsidiary. The Group provides comprehensive human resources services on both a short-term and long-term basis, managing human resources outsourcing of general administrative staff, engineers, and manufacturing staff, including light labor, for the manufacturing, distribution, warehouse and service sectors, as well as the contracting of manufacturing, construction and security. It also handles overseas human resources outsourcing.

Q3 Please provide an overview of the nursing care and medical business and your thoughts on future developments?

A3 With Japanese society rapidly aging, demand for nursing care services has become very apparent. The payment of nursing care insurance benefits has been increasing along with medical care insurance, which together form the bulk of social security expenses. One estimate predicts that the budget for nursing care insurance benefits, which was approximately 5.5 trillion yen for fiscal 2004, will top 12 trillion yen in 2012 and 20 trillion yen in 2025, with even the most conservative estimates. At the same time, some are estimating that the budget for medical care insurance benefits, about 28 trillion yen in fiscal 2006, will exceed 40 trillion yen in

Changes to the budget for the benefit of the nursing care insurance and medical insurance (Trillion yen)



2012 and 56 trillion yen in 2025. Clearly, the government will need to manage social security expenses more efficiently given its financing capabilities. As a result, nursing care and medical care will need to be managed jointly to supplement each other in the future.

Despite these anticipated developments, following the revision of nursing care insurance system in April 2006, the business model for the visiting nursing care business has changed significantly and it has become difficult to maintain profitability. In addition, investments in the day service business and related expenses to respond to requirements from the preventative care business have become significant burdens. Given these conditions, we will seek to redevelop the business by making the institutional nursing care business the pillar of revenue sources.

In its efforts to develop institutional nursing care, the Group made NSS Corporation a subsidiary in July 2006. NSS Corporation is an established operator of the Outouen private nursing homes in the Tokyo metropolitan area. Through synergy with COMSN, focusing, in particular, on the sharing of human resources, brand, and management, the number of guests at these facilities has increased, improving the profitability of this business.

Range of COMSN Institutional Nursing Facilities

(As of December 31, 2006)

Names of companies	Names of facilities	No. of homes	No. of rooms	Capacity
COMSN, Inc.	COMSN HOHOEMI	179	3,230	3,230
	COMSN KIRAMEKI	10	517	517
	COMSN HOME	8	476	476
	COMSN GARDEN	4	346	373
	BARRINGTON HOUSE	1	139	278
NSS Corporation	OUTOUEEN	34	2,022	2,107
Total		236	6,730	6,981



"COMSN HOHOEMI" group homes



"COMSN KIRAMEKI" — entry fees of around 500,000 yen (Popular type)



"COMSN HOME" — entry fees of around 8 million yen



"COMSN GARDEN" — entry fees of around 18 million yen

Q4 Please provide an overview of the senior residence and restaurant business and your thoughts on future developments.

A4 In the senior residence business, BARRINGTON HOUSE Bajikoen opened in May 2006 and has earned a very positive response from guests for its comprehensive support, including nursing care and medical care, living



BARRINGTON HOUSE Kichijoji (scheduled to be opened in June 2007)

space and facilities and hospitality on the level of a hotel. The development of BARRINGTON HOUSE Kichijoji, the second project of its kind, is also proceeding steadily, ready for its opening, scheduled for June 2007.

In the restaurant business, Food Scope, Inc. manages restaurants that primarily serve Japanese cuisine in Japan and overseas. Beside its primary operations of managing restaurants, Food Scope, Inc. provides foods to the facilities, including the nursing care facilities of COMSN, Inc., BARRINGTON HOUSE as described above, COMSN GARDEN, COMSN HOME, COMSN HOHOEMI (group homes) and COMSN KIRAMEKI (affordable nursing homes). It aims to give nursing care facilities the support they need to provide the most delicious foods in Japan and improve their reputation with guests, contributing to improved occupancy rates, and achieving real synergies with the institutional nursing care of COMSN.

In other businesses, with the labor market rapidly becoming more fluid, we are seeking to offer a comprehensive array of human resources services. Specifically, we are responding to demand for staff placement through Goodwill Career, Inc., providing outplacement support through Goodwill Hu-Management, Inc. (merged into The Goodwill, Inc. on March 1, 2007), and offering employee counseling programs (EAP) through Goodwill Foresight, Inc.

Within the Goodwill Group, we use management resources in a cross-sector manner to develop synergies throughout the Group. These initiatives enable us to provide our clients with comprehensive and specific human resources services.

In the child-care related market, the government's policies on addressing issues related to the falling birthrate and the aging society have become the center of attention. The Goodwill Group operates the child-care business through Coty Co., Ltd. With women increasingly involved in social activities and lifestyles more and more diversified, there is growing demand for the development of a child-care infrastructure, as a measure to address the falling birthrate and to create an environment that makes it easier to care for children. In addition, following the enactment of the Assisting Strategies for Raising Next Generation Law, a number of initiatives and projects related to support for child-care has been actively proposed, primarily by companies, governments, medical institutions and schools. As a result, specific projects and requests for the child-care businesses are increasing. Meanwhile, Adhoc Co., Ltd. is managing our pet-related business. It was reported recently that the number of in-house pets has exceeded that of pets kept outdoors, and that percentages of

single-person household and seniors keeping pets are rising significantly. We are carefully looking at this data, which suggests a significant increase in the size of the pet related market. By leveraging our expertise and experiences as an operator of the pet related business, we will seek to expand our services, such as providing know-how to condominiums and hotels that allow pets, managing pet related facilities and managing grooming services at shopping malls.

We expect that this period of anticipatory investments in other businesses will continue through business redevelopment.

Q5 Please explain the aims of making Crystal Group a consolidated subsidiary and the impact this will have on the Goodwill Group in the future.

A5 The Goodwill Group has been engaged in the human resources service business primarily through The Goodwill, Inc. and in the comprehensive nursing care service business through COMSN, Inc. These are its two core businesses. On October 31, 2006, the Group acquired with Crystal Co., Ltd., which was unlisted but is the largest operator of the human resources services business in Japan, and made the Crystal Group a consolidated subsidiary.

As a result of this integration of the Goodwill Group and the Crystal Group, the largest human resources service company in Japan has been created, making the Group the fifth largest in the world in terms of the size of global human resources service companies. This is evidence that the Goodwill Group has made significant advances in corporate development.

Following the addition of the Crystal Group as a consolidated company, the Goodwill Group now has in place a full lineup of the human resources service business. Specifically, The Goodwill, Inc. possesses expertise in short-term outsourcing; The Goodwill, Inc. identifies appropriate human resources from its vast database using IT systems. Crystal Co., Ltd., on the other hand, has expertise in long-term outsourcing, such as outsourcing and contracting of manufacturing operations and outsourcing of engineers. As the two groups have become an integrated institution, the Goodwill Group anticipates enjoying growing synergies from its sharing of credibility as a listed company on the First Section of the Tokyo Stock Exchange, brand, and public recognition, and the provision of human resources services that could not be provided by each group through the cooperation between the two groups.

The Crystal Group also manages the overseas human resources outsourcing business, in which the Goodwill Group has not been engaged. We believe that this business has growth potential in the future. With respect to results, the consolidated results of the Crystal Group will be reported in the consolidated results of the Goodwill Group for the current fiscal term. As the Japanese economy continues to recover and demand for human resources becomes stronger, it has become increasingly difficult to ensure that human resources respond to the growing needs of the corporate sector.

Following the integration of the Goodwill Group and the Crystal Group, the enlarged Goodwill Group has become a company with approximately 140,000 employees. As a result, we believe that the Group has acquired an overwhelming competitive edge in terms of

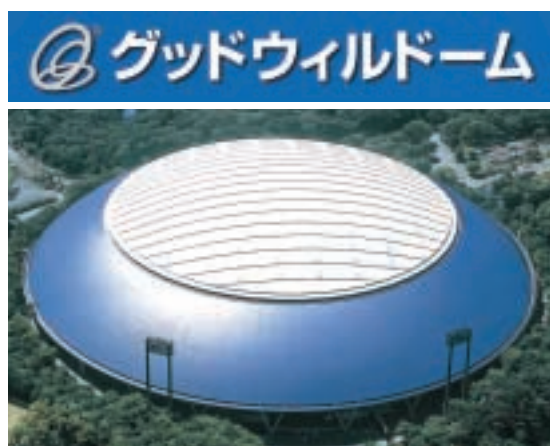
securing human resources to develop the human resources service business.

Going forward, we will seek to rapidly integrate the structures of human resources, organizations, operations, administration, compliance and governance of the two groups, and to achieve steady revenues and drive the Group into the next growth stage.

Q6 Please explain the objective of obtaining the naming rights to the Seibu Dome.

A6 ● The Company obtained the naming rights to the Seibu Dome from Seibu Railway Co., Ltd. in January 2007. Consequently, the Seibu Dome has become the Goodwill Dome. It also obtained the naming rights to the company team, the farm team of Seibu Lions. We believe that these initiatives will contribute not only to improving public recognition of the Goodwill Group and the strengthening of the brand, but also to the recruitment of employees in the human resources outsourcing business. The Company expects to maintain these rights over the long term.

The Seibu Group and the Goodwill Group have enjoyed a close relationship for some time through operations, including the consignment of the management of the pet-care facilities at the Karuizawa Prince Hotel with the pet-care service provider, Adhoc Co., Ltd., a subsidiary of the Goodwill Group. To respond to the issues arising from the declining birthrate, the Seibu Group has recently been developing businesses that provide facilities and services for seniors and disabled residents living along the Seibu railways. By offering



The Goodwill Dome; The Goodwill Group has obtained naming rights.



The Goodwill Group has also obtained naming rights to the farm team of Seibu Lions and their uniforms have also been redesigned.

nursing care services for seniors and support services for disabled users through COMSN, Inc. the group company and child-care and child-rearing services from Coty Co., Ltd. to the Seibu Group, the Goodwill Group can develop a closer relationship with the Seibu Group and the two groups can anticipate synergies from their cooperation, boosting business opportunities in the future.

Q7 Please take a moment to explain the outlook of the full year performance for a fiscal period ending June 2007 and the dividend payment.

A7 ● We anticipate revenue of 500,000 million yen, recurring profit of 10,000 million yen, and a net loss of 30,000 million yen on a consolidated basis for the fiscal period under review.

These business forecasts have been downgraded because the consolidated accounting period was determined to be six months ending in March, the same as the previous fiscal period, instead of eight months as previously considered based on the assumption that the end of an accounting period of the Crystal group was to be changed to June. The company has also adopted asset-impairment accounting. In addition, following the revision of the nursing care insurance system in April 2004, the business model of visiting care business has changed significantly. This development made profitability difficult to achieve at COMSN, Inc., a Company subsidiary that manages the nursing care business. Investments in the day service business and other related expenses to respond to the requirements of the preventative care business have also become a significant burden for the Group.

The business forecasts have been downgraded for these reasons.

Details of extraordinary losses from the application of asset-impairment accounting are as follows:

				(Million yen)	
Account	Type	Companies	Amount	Reduction in expenses from the second half (annual basis)	
Losses from the application of asset-impairment accounting	Goodwill	COMSN, Inc.	23,580	1,428	
		Others	4,476	236	
	Fixed assets	Others	89	—	
Total			28,146	1,666	

● **Forecast full-year consolidated results for the fiscal period ending June 2008**

(From July 1, 2005 to June 30, 2008)

	(Million yen)		
	Revenue	Recurring Profit	Net Income
Previous forecasts (A)	750,000	33,000	12,000
Revised forecasts (B)	750,000	30,000	10,000
Increase/decrease (B-A)	0	(3,000)	(2,000)
Percentage Increase/decrease (%)	±0.0%	(9.1%)	(16.7%)

*Forecasts of the Crystal Group for the relevant consolidated accounting period of 12 months are included in the consolidated forecasts based on its results ended March 2006 by taking the performance analysis and business restructuring into consideration. An equity ratio of 67% is applied to the net income of the Crystal Groups. The consolidated forecasts of the Company have also been revised following consideration of the restructuring of the business model of COMSN.

At present, the Company is endeavoring to develop a strong consolidated management structure to respond to a rapidly changing business environment. To achieve this goal, we have adopted asset-impairment accounting and, regrettably, decided to suspend the payment of interim dividends. Amid these conditions, we also anticipate suspending the payment of year-end dividends. To meet the expectations of shareholders, we will strive to improve performance and distribute an annual dividend of 2,000 yen per share for the 14th term ending June 2008 (July 1, 2007 to June 30, 2008).

● **Revision to forecast dividend for the fiscal period ending June 30, 2007**

(From July 1, 2006 to June 30, 2007)

	(Yen)		
	Interim period	End of term	Full-year
Previous forecasts (announced on August 23, 2006)	—	—	1,000
Revised forecasts	0	0	0
(Reference) Actual per share dividends paid in the preceding period	1,125	500	*1,625

*The Company carried out a 3-for-1 share split in March 2006. The total annual dividend payment for a shareholder who has held shares from the beginning of the term will be 2,625 yen.

● **Forecast full-year dividend for the fiscal period ending June 2008**

(From July 1, 2005 to June 30, 2008)

	(Yen)		
	Interim period	End of term	Full-year
Forecasts for the fiscal period ending June 2008	—	—	2,000

(Note) The above forecasts are prepared based on the information available at the time of the announcement. Actual performance may differ from forecasts due to a variety of factors.

Q8 Are there any topics you would like to mention?

A8 ● The important topic I would like to mention is that, on February 16, 2007, Collaborate, Corp., the consolidated subsidiary of the Company (now called Hi-Line, Inc.) submitted the report on the final improvement results to respond to the staff outsourcing business improvement order issued on October 3, 2006, and, on March 1, 2007, it completed the submission of all reports on improvement results related to the above staff outsourcing business improvement order.

*On March 1, 2007, Collaborate, Corp. was renamed to Hi-Line, Inc.

To further develop a sense of unity as the Goodwill Group and enhance a sense of solidarity among the group companies, we anticipate renaming Crystal Co., Ltd. and other subsidiaries as of May 1, 2007.



New trading name	Goodwill Premier, Inc.
Former trading name	Crystal Co., Ltd.

● **New and Former Trading Names of the Affected Subsidiaries**

New trading name	Former trading name
Premier Staff, Inc.	Crystal Staff Co., Ltd.
Premier Service, Inc.	Crystal Service Co., Ltd.
Premier Operation, Inc.	Crystal Operation Co., Ltd.
Premier Estate, Inc.	Crystal Estate Co., Ltd.
Premier Medical Care, Inc.	Crystal Medical Care Co., Ltd.
GW Premier America, Inc.	American Crystal Holdings, Inc.
Advantage, Inc.	Advantage Crystal, Inc.
Technical Aid Corporation	Technical Aid Crystal, Inc.
Talent Tree, Inc.	Talent Tree Crystal Inc.
WillStaff, Inc.	WillStaff Crystal, Inc.
GW Premier Europe B.V.	Crystal International Europe B. V.
Crone Corkill UK Limited	Crystal UK Limited
Technical Aid Corporation UK Limited	Technical Aid Crystal UK Limited

Human Resources Outsourcing and Contracting Business



	(Million yen)		
	Interim Period for FY 6/07	Interim Period for FT 6/06	Changes (%)
Revenue	80,941	54,720	47.9
Operating Profit	5,514	4,237	30.1

With demand for human resources from companies rising following the economic recovery in Japan, companies continue to strive to achieve efficient management through cost cutting. One measure is to employ more flexible contract workers to transfer labor costs from fixed expenses to variable expenses, even as recruitment of full-time workers rises. The Goodwill Group will endeavor to develop a full line of services as a comprehensive human resources service provider that manages human resources outsourcing, the outsourcing of clerical workers, contracting of security and construction, and engineer outsourcing primarily through The Goodwill, Inc. The network of The Goodwill, Inc. (including its construction subsidiaries) has further expanded as the number of branches increased 239 from the previous term, to 1,171 at the end of December. The number of registered staff rose approximately 220,000 compared with that as at the end of the previous term, to 2,530,000. The Company continues to be the largest human resources outsourcing operator in Japan in terms of the number of staff. The diversification in work styles is apparent with an increasing number of people seeking two or even three concurrent assignments. In July 2006, we began full-scale operations of Goodwill.BIZ, a new business providing general administration outsourcing services. As we successfully obtained wider recognition of Goodwill.BIZ, the share of registered female staff increased to 43%. The number of clients also rose by 5,706 companies compared with the figure at the end of the previous term, to 66,905 companies, benefiting from increasing demand for human resources. Areas experiencing significant rises in demand include the manufacturing sector, demand from which is increasing following the relaxation of regulations, short-term outsourcing of general office workers, catering industry, such as *izakaya* bars, and the sales promotion business, which is benefiting from an increase in the number of large-scale commercial events. In accordance with the resolution adopted by the Board of Directors held on January 5, 2007, The Goodwill, Inc. merged with Goodwill Hu-Management, Inc., which offers outplacement support, human resources consulting and senior outsourcing services.

As a result of the above initiatives, revenues and operating income for the interim period under review in the human resources outsourcing and contracting business amounted to 80.941 billion yen and 5.514 billion yen respectively, on a consolidated basis.

Service Fields of Goodwill

(As of December 31, 2006)

■ General Office Works

Administrative work, sales support

■ Sales Staff Dispatching

New client development, route sales, planning and proposal sales, dispatching of securities representatives, outbound calls

■ IT-related Works

PC set-up, help desk operation, software development assistance, WEB program

■ Sales Promotion

Sampling, sales assistance

■ Marketing

Surveys, traffic volume research

■ Events

Event planning and management, site/venue management

■ Amusement Facility

General services for pachinko parlors and amusement facilities

■ Distributor/Retailing

General services for the distribution industry, including the provision of sales staff, and register and back-office operations.

■ Food Business

Waiting services in *izakaya* bars and fast food restaurants, food preparation

■ Senior Dispatching/Female part timers

Senior Dispatching, female part timers, etc.

■ Manufacturing

Production line assembly, inspection line, packaging

■ Warehouse

Warehouse work, full warehouse outsourcing

■ Filling-station Attendant

Refueling, car wash, campaign staff

■ Driving/Forklift Operation

Route delivery, lightweight freight delivery/long and mid-distance delivery, forklift

■ Moving/Office Relocation

General moving, office relocation

■ Medical

Doctors, nurses, pharmacists, medical administration (dispatching to medical institutions with potential permanent hiring option)
Clinical technologists, pharmacists, nurses, etc. (dispatching to corporations with potential permanent hiring option)

Nursing Care and Medical Care Support Business



	Interim Period for FY 6/07	Interim Period for FT 6/06	Changes (%)
Revenue	40,741	31,026	31.3
Operating Profit	(1,226)	557	—

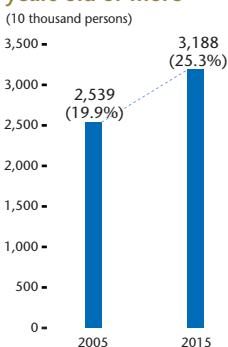
(Million yen)

It has become difficult in the nursing care and medical care support business to generate profits, because the business model of the visiting business has changed significantly following the revision of the nursing insurance system in April 2006. In addition, investments in the day service business and other related expenses to respond to requirements from the preventative care business have also imposed a significant burden on the sector. The Goodwill Group has been providing a comprehensive nursing care business, including home nursing care primarily through the visiting care offered by COMSN, Inc. and institutional nursing care. Going forward, we will restructure operations to make the institutional nursing care business the main pillar of the revenues in this sector. In an effort to develop institutional nursing care, we made NSS Corporation a subsidiary in July 2006. NSS Corporation is a well-established operator of the Outouen private nursing homes in the Tokyo metropolitan area. Through the synergy with COMSN, focusing, in particular, on the sharing of human resources, brand, and management, the number of guests in the facilities has increased, resulting in an improvement in the profitability in this sector.

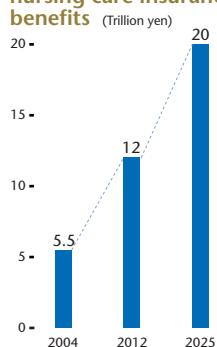
Following the opening of the senior residence, BARRINGTON HOUSE Bajikoen in May 2006, BARRINGTON HOUSE Kichijoji is expected to open in June 2007. As the facilities that represent a new lifestyle for seniors, these two facilities are expected to further enhance the brand value of COMSN.

As a result of the above initiatives, revenues and operating losses for the interim period under review in the nursing care and medical care support business amounted to 40.741 billion yen and 1.226 billion yen respectively, on a consolidated basis.

Population of 65 years old or more



Changes in estimated nursing care insurance benefits



Source: Ministry of Health, Labor and Welfare/Data concerning the projection of the nursing care insurance

Service Fields of COMSN

(As of December 31, 2006)



Consolidated Interim Financial Statements (Summarized Version)

Consolidated Interim Balance Sheet

(In million yen, rounded off to millions)

	Interim Period for FY 6/06 As of Dec. 31, 2005	Interim Period for FY 6/07 As of Dec. 31, 2006	FY 6/06 As of June 30, 2006
Assets			
Current assets	61,077	232,228	49,775
Fixed assets	83,819	165,500	89,766
Property plant and equipment	39,433	62,569	45,479
Intangible assets	34,222	74,761	33,540
Investments & other assets	10,162	28,168	10,746
Total assets	144,896	397,729	139,541
Liabilities			
Current liabilities	32,280	280,220	42,778
Fixed liabilities	74,388	71,786	46,029
Total liabilities	106,669	352,006	88,808
Minority interest			
Minority interest	1,318	—	—
Shareholders' equity			
Common stock	14,118	—	—
Capital surplus	32,169	—	—
Retained earnings	(9,409)	—	—
Unrealized holding loss on securities	(0)	—	—
Foreign currency translation adjustment account	36	—	—
Treasury stock	(8)	—	—
Total shareholders' equity	36,908	—	—
Total liabilities, minority interest & shareholders' equity	144,896	—	—
Net assets			
Shareholders' equity	—	21,434	49,431
Common stock	—	26,618	26,618
Capital surplus	—	35,980	35,620
Retained earnings	—	(38,659)	(8,830)
Treasury stock	—	(2,506)	(3,978)
Valuation and translation variance	—	(109)	(39)
Unrealized loss on holdings of securities	—	4	6
Profit/loss on deferred hedges	—	(115)	(59)
Foreign currency translation adjustment account	—	1	14
Minority interest	—	24,398	1,341
Total net assets	—	45,722	50,733
Total liabilities and net assets	—	397,729	139,541

Consolidated Interim Statement of Income

(In million yen, rounded off to millions)

	Interim Period for FY 6/06 From July 1, 2005 To Dec. 31, 2005	Interim Period for FY 6/07 From July 1, 2006 To Dec. 31, 2006	FY 6/06 From July 1, 2005 To June 30, 2006
Revenue	87,543	129,046	185,948
Cost of sales	58,606	87,767	123,779
Gross profits	28,937	41,278	62,168
Selling, general & administrative expenses	24,985	37,331	54,273
Operating profit	3,952	3,947	7,895
Non-operating profit	216	593	480
Non-operating expenses	865	2,214	1,671
Recurring profit	3,302	2,326	6,704
Extraordinary gains	1	663	256
Extraordinary losses	12	28,955	330
Income before income taxes and other adjustments	3,292	(25,965)	6,630
Income taxes-current	2,094	2,233	4,326
Income taxes-deferred	(70)	670	(1,000)
Minority interest	36	78	124
Net income	1,304	(28,790)	3,429

Interim Consolidated Balance Sheet Highlights

Current Assets

Current assets increased 182.453 billion yen to 232.228 billion yen (a 366.6% year-on-year increase). This increase reflected the addition of cash on hand and deposits and trade accounts receivable of the Crystal Group following the acquisition of the Group.

Property Plant and Equipment

Property plant and equipment increased 17.09 billion yen to 62.569 billion yen (a 37.6% year-on-year increase). This increase was primarily due to the acquisition of the Crystal Group and others.

Intangible Assets

Intangible assets increased 41.221 billion yen to 74.761 billion yen (a 122.9% year-on-year increase). This increase was primarily attributable to an increase in the goodwill following the acquisition of the Crystal Group and others.

Investments & Other Assets

Investments & other assets increased 17.422 billion yen to 28.168 billion yen (a 162.1% year-on-year increase). This increase was primarily due to an increase in lease guarantees following the acquisition of the Crystal Group and others, and an increase in long-term advanced payment of expenses, long-term advanced payments, and guarantee money paid related to the institutional nursing care business of COMSN, Inc., NSS Corporation and others.

Current Liabilities

Current liabilities increased 237.442 billion yen to 280.220 billion yen (a 555.1% year-on-year increase). This increase was primarily due to an increase in short-term borrowings made to raise funds to carry out M&A during the interim consolidated accounting period under review.

Fixed Liabilities

Fixed liabilities increased 25.756 billion yen to 71.786 billion yen (a 56.0% year-on-year increase). The increase principally reflected the inclusion of the corporate bonds and long-term borrowings of the Crystal Group and others in the consolidated balance sheets following M&A carried out during the interim consolidated accounting period under review.

Net Assets

Net assets decreased by 5.01 billion yen to 45.722 billion yen (a 9.9% year-on-year decrease). This increase was primarily due to a decline in retained earnings following the impairment of the goodwill, and an increase in the minority interest.

Interim Consolidated Statement of Income Highlights

Operating Profit

Operating profit declined 4 million yen, to 3.947 billion yen (a 0.1% decline compared with the previous accounting period). The decline was mainly attributable to a 12.341 billion yen increase in the gross margin and a 12.345 billion yen increase in selling, general and administrative expenses. The main factors for the increase in selling, general and administrative expenses were higher wages and other benefits and recruiting expenses primarily resulting from an expansion of the Group.

Net Income

Interim net losses for the interim consolidated accounting period under review were 28.79 billion yen. This was primarily a reflection of the application of impairment accounting to goodwill during the same period under review.

Consolidated Interim Statement of Retained Earnings

(In million yen, rounded off to millions)

Interim Period for FY 6/06

From July 1, 2005

To Dec. 31, 2005

Capital surplus	
Beginning balance of capital surplus	36,047
Decrease in capital surplus	3,877
Interim balance of capital surplus	32,169
Retained earnings	
Beginning balance of retained earnings	(10,151)
Increase in retained earnings	1,304
Decrease in retained earnings	561
Interim balance of retained earnings	(9,409)

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 Dec. 31, 2006

	Shareholders' equity					Valuation and translation variance			Minority interest	Total net assets	
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized loss on holdings of securities	Profit/loss on deferred hedges	Foreign currency translation adjustment account			
Balance at end of previous consolidated financial year	26,618	35,620	(8,830)	(3,978)	49,431	6	(59)	14	(39)	1,341	50,733
Variance during this consolidated interim term											
Retained earnings dividends	—	—	(1,038)	—	(1,038)	—	—	—	—	—	(1,038)
Net income	—	—	(28,790)	—	(28,790)	—	—	—	—	—	(28,790)
Acquisition of treasury stock	—	—	—	(682)	(682)	—	—	—	—	—	(682)
Stock exchange	—	359	—	2,154	2,514	—	—	—	—	—	2,514
Variance during this consolidated interim term of items not included in shareholder's equity (net value)											
	—	—	—	—	—	(2)	(55)	(12)	(70)	23,056	22,986
Total variance during this consolidated interim term	—	359	(29,828)	1,472	(27,997)	(2)	(55)	(12)	(70)	23,056	(5,010)
Closing balance for this consolidated interim term	26,618	35,980	(38,659)	(2,506)	21,434	4	(115)	1	(109)	24,398	45,722

Consolidated Interim Cash Flow Statement

(In million yen, rounded off to millions)

	Interim Period for FY 6/06	Interim Period for FY 6/07	FY 6/06
	From July 1, 2005	From July 1, 2006	From July 1, 2005
	To Dec. 31, 2005	To Dec. 31, 2006	To June 30, 2006
Net cash (used in) provided by operating activities	(2,068)	(1,711)	7,138
Net cash used in investing activities	(4,086)	(35,995)	(13,526)
Net cash provided by financing activities	10,376	115,975	(1,124)
Exchange rate difference on cash & cash equivalents	—	0	0
Increase in cash & cash equivalents	4,221	78,269	(7,510)
Cash & cash equivalents at beginning of period	23,187	16,315	23,187
Increase in cash & cash equivalents through increase in consolidated subsidiaries	638	—	638
Cash & cash equivalents at end of period	28,047	94,584	16,315

Interim Consolidated Cash Flow Statement Highlights

Cash and cash equivalents for the interim consolidated accounting period ("cash") came to 94.584 billion yen, an 66.537 billion yen increase compared to the same period a year ago.

Cash Flow from Operating Activities

Cash used in operating activities came to 1.711 billion yen (a 2.068 billion yen decrease compared to the same period a year ago).

This result principally reflected the incurrence of initial investments of 1.02 billion yen for the development of new facilities, payment of an accrued amount payable for the first half of the term of 2.902 billion yen in association with the funds raised to construct BARRINGTON HOUSE, interest payments on borrowings of 1.177 billion yen and an increase of 3.216 billion yen in occupancy guarantees.

Cash Flow from Investing Activities

Cash used in investing activities came to 35.995 billion yen (a 4.086 billion yen decrease compared to the same period a year ago).

This figure reflects the incurrence of net expenses of 34.286 billion yen in association with the acquisition of the Crystal Group and others.

Cash Flow from Financing Activities

Cash provided by financing activities came to 115.975 billion yen (an 10.376 billion yen increase compared to the same period a year ago).

The result was primarily due to financing of 87.1 billion yen for the acquisition of the Crystal Group and 147 billion yen for the acquisition of other companies and working capital through short-term borrowings, and to a 124 billion yen repayment of short-term debt.

Non-Consolidated Interim Financial Statements (Summarized Version)

Non-consolidated Interim Balance Sheet

(In million yen, rounded off to millions)

	Interim Period for FY 6/06 As of Dec. 31, 2005	Interim Period for FY 6/07 As of Dec. 31, 2006	FY 6/06 As of June 30, 2006
Assets			
Current assets	14,738	36,948	8,923
Fixed assets	110,906	186,749	116,897
Property plant and equipment	34,287	37,440	38,268
Intangible assets	13	10	11
Investments & other assets	76,605	149,298	78,616
Total assets	125,644	223,697	125,820
Liabilities			
Current liabilities	12,456	141,823	21,696
Fixed liabilities	80,160	65,415	59,653
Total liabilities	92,617	207,238	81,349
Shareholders' equity			
Common stock	14,118	—	—
Capital surplus	12,626	—	—
Retained earnings	6,290	—	—
Unrealized holding loss on securities	(0)	—	—
Treasury stock	(8)	—	—
Total shareholders' equity	33,027	—	—
Total liabilities & shareholders' equity	125,644	—	—
Net assets			
Shareholders' equity	—	16,570	44,524
Common stock	—	26,618	26,618
Capital surplus	—	16,261	16,077
Retained earnings	—	(23,803)	5,806
Treasury stock	—	(2,506)	(3,978)
Valuation and translation variance	—	(111)	(53)
Unrealized loss on holdings of securities	—	3	6
Profit/loss on deferred hedges	—	(115)	(59)
Total net assets	—	16,459	44,471
Total liabilities and net assets	—	223,697	125,820

Non-consolidated Interim Statement of Income

(In million yen, rounded off to millions)

	Interim Period for FY 6/06 From July 1, 2005 To Dec. 31, 2005	Interim Period for FY 6/07 From July 1, 2006 To Dec. 31, 2006	FY 6/06 From July 1, 2005 To June 30, 2006
Operating profits	2,722	4,997	5,699
Operating expenses	1,632	1,760	3,161
Operating income	1,089	3,237	2,537
Non-operating income	165	150	322
Non-operating expenses	673	1,964	1,372
Recurring profit	580	1,423	1,488
Extraordinary gain	—	656	204
Extraordinary loss	—	30,574	55
Income before income taxes and other adjustment	580	(28,493)	1,636
Income taxes-current	1	2	58
Refunded corporation tax	—	30	—
Income taxes-deferred	47	106	(15)
Net income	531	(28,571)	1,594
Unappropriated retained earnings brought forward	5,758	—	—
Unappropriated retained earnings	6,290	—	—

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: 89 (45,401 consolidated) Part-time: 11 (24,252 consolidated) Total: 100 (69,653 consolidated)
Auditor	Ernst & Young ShinNihon

Directors and Auditors

Chairman and CEO:	Masahiro Origuchi
President and COO:	Shinichiro Kawakami
Managing Director and CFO:	Akira Kanazaki
Director:	Kazuo Tsubota
Statutory Auditor:	Tadashi Minobe
Statutory Auditor:	Yoshio Sugino
Auditor:	Nariaki Ishii
Auditor:	Yasuhiko Tanaka
Senior Executive Officer:	Akifumi Jinno
Executive Officer:	Koichi Higuchi
Executive Officer:	Tatsuya Nishihara
Executive Officer:	Yasufumi Irie
Executive Officer:	Takeo Isaji
Executive Officer:	Satoshi Aoyama
Executive Officer:	Kazuaki Nakamoto
Executive Officer:	Mitsuhiro Hanata
Executive Officer:	Kazuo Osako

Note 1: Director Kazuo Tsubota is an outside director.
Note 2: Takao Sugino, Nariaki Ishii, and Yasuhiko Tanaka are outside auditors.



Homepage

Overviews of quarterly results, business reports, and other financial information, as well as press releases, are posted on The Goodwill homepage. Please feel free to access our homepage at the following address:

www.goodwill.com

Details of Shareholder Benefit Plan

● **Summary of benefits**

1. One-million yen discount on entry fees

Shareholders will receive a one-million yen discount on entry fees when they newly apply for residence in existing COMSN HOME, COMSN GARDEN, or BARRINGTON HOUSE or new COMSN HOME, COMSN GARDEN, or BARRINGTON HOUSE built prior to the expiration of their shares.

2. Dining gift certificates

- 5,000 yen of gift certificates for shareholders who hold from 1 – 9 shares (1 x 5,000 yen certificate).
- 10,000 yen of gift certificates for shareholders who hold from 10 – 19 shares (2 x 5,000 yen certificates).
- 20,000 yen of gift certificates for shareholders who hold 20 or more shares (4 x 5,000 yen certificates).

Redeemable at the following restaurants operated by Food Scope, Inc.

- Tokyo: GOLDEN TONGUE in Ebisu; MAIMON GINZA in Ginza
- Yokohama: bishoku-maimon Yokohama at Yokohama Minato Mirai
- Osaka: bishoku-maimon Umeda in Umeda, MAIMON UMEDA in Umeda
- Nagoya: Nagoya IMAIYA Honten in Nagoya, bishoku-maimon Nagoya in Nagoya

Please visit our website for more details on shareholder benefits.
Go to: <http://www.goodwill.com/gwg/ir/share/yuutai.html>



GOLDEN TONGUE



GOLDEN TONGUE in Ebisu

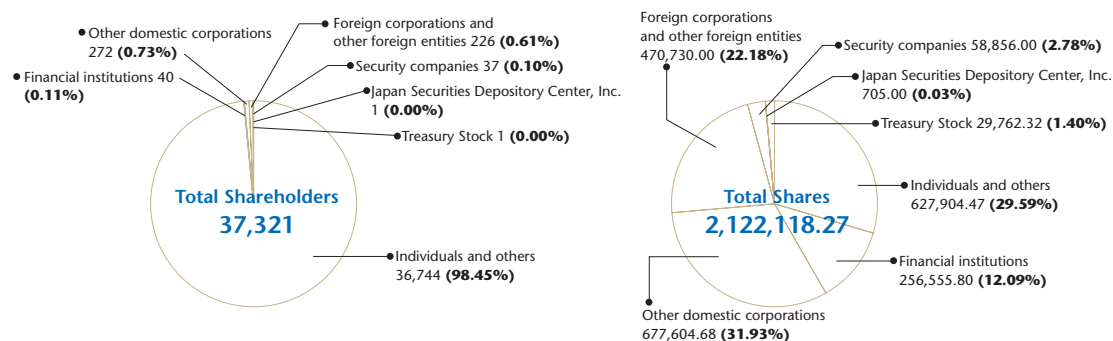
Shares

Total No. of Authorized Shares	6,144,061 shares
Shares Outstanding	2,122,118.27 shares
Total Shareholders	37,321

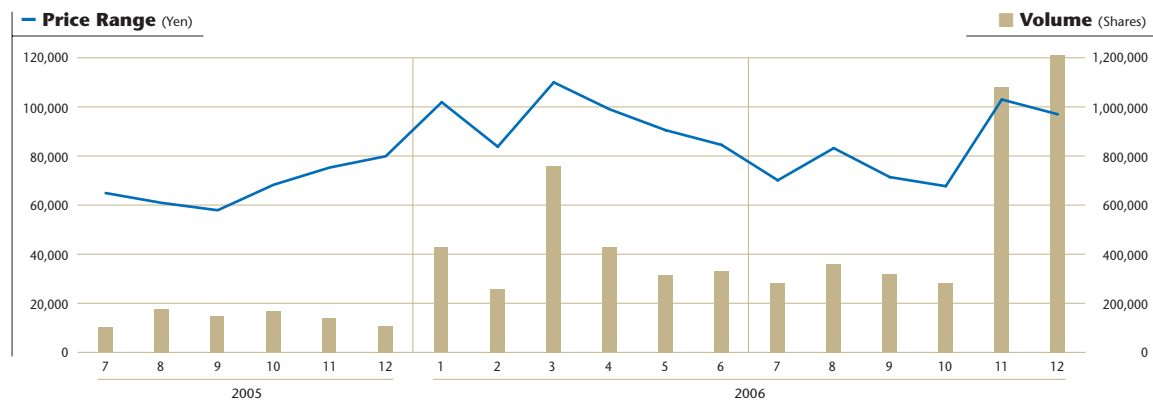
Leading Shareholders

Shareholder	Shares	% of Voting Rights
Origuchi Soken Ltd.	618,207.00	29.13
Morgan Stanley and Company International Limited	122,806.00	5.78
Masahiro Origuchi	96,480.00	4.54
Japan Trustee Services Bank, Ltd. (shares held in trust)	87,106.00	4.10
The Master Trust Bank of Japan, Ltd. (shares held in trust)	58,304.00	2.74
Sajap	30,763.00	1.44
The Bank of New York Europe Limited 131705	30,052.00	1.41
Nikko Cordial Securities Inc.	30,044.00	1.41
CMBLSA Re Mutual Fund	30,015.00	1.41
Esfront, Ltd.	30,000.00	1.41

Shareholders by Type



Share Price and Trading Volume



* As of March 1, 2006, the company executed a share split, issuing three shares for every one existing share. The changes in the share price shown above show the share price after adjustments made to account for the share split.

Company Credo

“The Venture Spirits”

10 Rules of The Goodwill Group

- Take the customer’s perspective and provide unsurpassed satisfaction.
- Hold on to dreams and ambitions, 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 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, the loving hearts, and the feelings of appreciation.
- With the sense of service always in our minds, we conduct nursing care services from our hearts.
- We take responsibility in maintaining our customer’s privacy.

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, Sugunami-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 <i>Nihon Keizai Shimbun</i> . IR Website: www.goodwill.com/koukoku



The Goodwill Group, Inc.

Tokyo Stock Exchange Code No: 4723

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