

**FYE June 2006 Financial Statements (Consolidated)**

August 23, 2006

Name of listed company: The Goodwill Group, Inc.  
 Code No.: 4723  
 (URL: <http://www.goodwill.com>)

Listed exchange: Tokyo  
 Head office: Tokyo

Representative: Name: Masahiro Origuchi  
 Position: Representative Director, Chairman and CEO  
 Contact: Name: Akira Kanezaki  
 Position: Managing Director and CFO  
 Tel: 03-3405-9228

Date of Board of Directors meeting to  
 approve accounts: August 23, 2006  
 US accounting standards used: No

**1. Consolidated results for the fiscal year ending June 2006 (July 1, 2005 to June 30, 2006)****(1) Consolidated business results** Note: Amounts are presented rounded down to the nearest ¥1 million.

	Revenues		Operating profits		Recurring profits	
	Million yen	%	Million yen	%	Million yen	%
FYE June 2006	185,948	30.8	7,895	40.5	6,704	55.2
FYE June 2005	142,157	52.8	5,621	-5.9	4,320	-22.0

	Net income		Net income per share	Net income per share after adjustment for latent shares	Return on equity	Return on assets	Ratio of current profit to revenues
	Million yen	%					
FYE June 2006	3,429	134.4	1,743.22	--	8.0	5.1	3.6
FYE June 2005	1,463	-45.9	2,233.72	--	3.9	4.0	3.0

- Notes: (1) Equity in profit/losses of affiliates FYE June 2006 --Million yen  
 FYE June 2005 --Million yen  
 (2) Average number of shares during the year (consolidated) FYE June 2006 1,967,608 shares  
 FYE June 2005 628,348 shares  
 (3) Change in accounting methods No  
 (4) Percentages shown for revenues, operating profits, recurring profits and net profits represent year-on-year rates of change.

**(2) Consolidated financial status** Note: Amounts are presented rounded down to the nearest ¥1 million.

	Total assets		Net assets		Capital ratio		Net assets per share	
	Million yen	%	Million yen	%	%	yen		
FYE June 2006	139,541		50,733		35.4	23,783.09		
FYE June 2005	125,459		36,130		28.8	58,235.69		

Note: Year-end issued and outstanding shares (consolidated) FYE June 2006 2,076,767 shares  
 FYE June 2005 619,383 shares

**(3) Consolidated cash flow status** Note: Amounts are presented rounded down to the nearest ¥1 million.

	Cash flows from operating activities		Cash flows from investing activities		Cash flows from financing activities		Balance of cash and cash equivalents	
	Million yen	%	Million yen	%	Million yen	%	Million yen	
FYE June 2006	7,138		-13,526		-1,124		16,315	
FYE June 2005	414		-16,921		25,413		23,187	

(4) Matters related to the scope of consolidation and application of the equity method

Consolidated subsidiaries 18 companies      Non-consolidated, equity-method subsidiaries 0 companies  
Equity-method affiliates      0 companies

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

(new)8 companies    (excluded) 0 companies    Equity-method (new)0 companies (excluded)0 companies

## 2.Consolidated results forecast for the fiscal year ending June 2007 (July 1, 2006 to June 30, 2007)

	Revenues	Recurring profits	Net income
Full year	240,000 million yen	9,000 million yen	4,000 million yen

(Reference) Forecast net earnings per share (full year)      1,926.07 yen

## 1.Business Results and Financial Position

### Business results

FYE June 2006 consolidated revenues and profit metrics were at all-time high levels.

In year-on-year terms, revenues were up 30.8%, recurring profits 55.2% and net income 134.4%.

### Results highlights for the fiscal year ending June 2006

(Unit: Rounded down to the nearest 1 million yen)

	This Consolidated Financial Year (FYE June 2006)	Previous consolidated accounting year (FYE June 2005)	Rate of change
Revenues	185,948	142,157	30.8
Cost of sales	123,779	96,190	28.7
Gross profits	62,168	45,966	35.3
Depreciation of goodwill	1,838	1,725	6.5
Operating profits	7,895	5,621	40.5
Interest expenses	1,140	1,158	-1.5
Recurring profits	6,704	4,320	55.2
Net income	3,429	1,463	134.4

#### (1)Overview of the financial year

During the consolidated financial year, the Japanese economy experienced improvements in corporate profits and expansion in demand that accelerated corporate capital investments and rapidly increased corporate staffing needs. Notwithstanding, there were still factors for uncertainty, including instability in oil-price and foreign-exchange trends.

Within these economic circumstances, the staffing services industry, one of the core businesses of the Goodwill Group, experienced strong corporate staffing demands thanks to the vibrant domestic economy and upturn in the jobs environment. Companies continue to outsource their labor, which is resulting in ongoing expansion for the staffing services market, leading to a greater variety of industries and sectors served by the Group and steady growth for the Group's operations. The Goodwill Group is stably expanding its base of operations and improving its ability to respond to corporate demand, particularly short-term labor demand, an area where adjustments have traditionally been difficult. The Group boasts a

strong database and the highest number of registered staff in the staffing services industry, and is making effective use of IT systems to improve the precision of its matching.

In the Group's other core business, nursing and health care support services, the market is in a period of expansion and Goodwill is extending its nursing-care locations throughout Japan, providing community-oriented services that are earning it a stronger customer base. It is also extending its areas of service to include everything from visiting nursing care to institutional care, and is experiencing a steady expansion in earnings as a result. Revisions to the official nursing care fee scale had been a cause for concern, but the impact was negligible. The Group is making use of its visiting nursing infrastructure to provide a total package of preventative nursing care, day services and institutional care, thereby meeting the needs of a wider range of customers. These reinforcements and enhancements to the bases of operation for both core businesses are enabling the Group to significantly differentiate itself from competitors.

Both core businesses continue to turn in solid performance. Revenues for the consolidated financial year were up 43,791 million yen compared to the previous consolidated financial year, for a total of 185,948 million yen, representing a large 30.8% year-on-year gain.

The development of nursing care-related facilities requires the Group to hold assets. This year it entered a new stage of recovering the funds invested as well as being able to absorb the investment burdens required to secure future growth. As a result, recurring profits increased 2,384 million yen compared to the previous consolidated financial year for a total of 6,704 million yen (up 55.2% year-on-year); net earnings increased 1,966 million yen compared to the previous consolidated financial year, reaching 3,429 million yen (up 134.4% year-on-year).

Below is a discussion of the performance of primary business segments for the consolidated financial year. From this consolidated financial year forward, a subsidiary managing senior residences has been included in consolidation. A new subsidiary managing restaurants was also acquired during the year. As a result, we have added a new segment called "senior residence and restaurant business."

#### (Human resources services)

(Unit: Rounded down to the nearest 1 million yen)

	FYE June 2006	FYE June 2005	Change (%)
Revenues from outside customers	114,602	86,302	32.8
Inter-segment revenues	320	175	82.2
Total revenues	114,923	86,478	32.9
Operating profits	8,182	5,195	57.5
Depreciation of goodwill	28	28	1.8
Operating profits prior to depreciation of goodwill	8,211	5,223	57.2

In human resources services, the market is in a period of expansion as human resources services gain wider recognition and companies make effective use of outsourcing in order to increase the efficiency of their operations. This segment continued to actively expand its office locations in order to better respond to corporate staffing needs. Of particular note is the increase of 159 branch offices for Goodwill, Inc., bringing the total at the end of June up to 1,024 from 865 at the end of the previous financial year (total figures exclude 35 offices for Keibi Sekou Management, Inc., which has been split off). Similarly, registered staff numbers have increased by 410,000 to reach 2.26 million, up from 1.85 million at the end of the previous financial year. Goodwill boasts the largest registered staff and database in the Japanese

staffing services sector. The company continues to engage in an aggressive publicity campaign, including television commercials, so as to further improve its brand image and enhance both its marketing (customer recognition) and recruiting (registered staff recruiting) activities.

In technical staffing services, the industry is seeing a rapid expansion in “designated referrals,” the name used for the referral of engineers with skills in areas such as mechanical engineering, electrical engineering and information processing.

As a result, the company’s “human resources services” business produced revenues of 114,602 million yen (up 32.8% year-on-year) and operating profits of 8,182 million yen (up 57.5% year-on-year) during the consolidated financial year.

#### **(Human resources business)**

(Unit: Rounded down to the nearest 1 million yen)

	FYE June 2006	FYE June 2005	Change (%)
Revenues from outside customers	2,661	4,036	-34.1
Inter-segment revenues	7	30	-76.5
Total revenues	2,668	4,067	-34.4
Operating profits	-298	9	--
Depreciation of goodwill	290	248	17.0
Operating profits prior to depreciation of goodwill	-7	257	--

Japan’s economic upturn means that the human resources business is not experiencing the same levels of growth in reemployment support services as it did in the past, but there are signs of recovery with more companies introducing early retirement systems as one component in their permanent restructuring programs. The increasingly liquid jobs market is producing solid performance for personnel referral services. The core business for the counseling services unit is employee assistance programs (EAP), and demand is solid for programs to deal with employee stress and also to improve productivity.

Nonetheless, upfront investments to rebuild this business resulted in revenues of 2,661 million yen (down 34.1% year-on-year) and operating losses of 298 million yen for the human resources business during this consolidated financial year.

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

(Unit: Rounded down to the nearest 1 million yen)

	FYE June 2006	FYE June 2005	Change (%)
Revenues from outside customers	63,684	50,971	24.9
Inter-segment revenues	1	--	--
Total revenues	63,685	50,971	24.9
Operating profits	948	150	529.3
Depreciation of goodwill	1,428	1,428	0
Operating profits prior to depreciation of goodwill	2,377	1,579	50.5

The nursing and health care support market continues to expand, but is also seeing an increase in the number of participants, which is resulting in greater competition. Within this market environment, COMSN, Inc. is developing nursing care locations around Japan. At the end of June it had a total of 1,183 locations, an increase of 77 from the 1,106 at the end of the previous consolidated financial year. The company's care staff also increased from 17,724 to 18,741, a gain of 1,017.

In response to growing customer demand for institutional care, the company increased the number of group homes it operates from 134 at the end of the previous consolidated financial year to 176 at the end of this year, a gain of 42. Likewise, it added 8 resident-paid nursing homes, bringing the total from 6 at the end of last year to 14 at the end of this year (breaking down to 8 "COMSN home" facilities, 4 "COMSN Garden" facilities and 2 "COMSN No Kirameki" facilities). The company now operates a total of 190 facilities and continues to increase the scale of its services. All of these facilities benefit from COMSN's high recognition rates, strong base of operations within the nursing and health care support market and high degrees of trust from customers. As a result, they are achieving high occupancy rates. We forecast continued, stable earnings growth in the future. This trend will enjoy even greater momentum thanks to a continued surplus of demand and a change in government policy under which public facilities (special care nursing homes, elderly health-care facilities, convalescence wards) began to collect hotel costs in October 2005, which has reduced the difference in self-payment burdens between public and private facilities.

As a result, the "nursing and health care support" business produced revenues of 63,684 million yen (up 24.9% year-on-year) and operating profits of 948 million yen (up 529.3% year-on-year) during the consolidated financial year.

**(Senior residence and restaurant business)**

(Unit: Rounded down to the nearest 1 million yen)

	FYE June 2006	FYE June 2005	Change (%)
Revenues from outside customers	3,871	--	--
Inter-segment revenues	179	--	--
Total revenues	4,051	--	--
Operating profits	-1,184	--	--
Depreciation of goodwill	63	--	--
Operating profits prior to depreciation of goodwill	-1,121	--	--

In the "senior residence and restaurant" business, the company is developing a new brand of luxury residential community with health-care services called "Barrington House." This is a new concept in senior care that is open to residents age 55 or older and does not depend on nursing care insurance for its viability. In May 2006 "Barrington House Baji Koen" opened its doors. The facility has been extraordinarily popular since opening and has received a large number of applications. A second project called "Barrington House Kichijoji" is scheduled to open in March 2007. The development of these institutions requires that the company hold assets. As a result, it incurred significant financial burdens in the form of upfront investments for the acquisition of land and construction of buildings. It anticipates moving into a period in which it will recover these funds as more and more residents move in.

Having established the "Barrington House" brand in the market, Barrington House, Inc. merged with COMSN, Inc. on June 11, 2006, thereby enabling it to benefit from the same trust and sense of security that customers accord COMSN.

In the restaurant business, the group operates 28 restaurants in Japan and 2 overseas. Growth has been strong thanks to authentic flavors and highly regarded interior designs and atmospheres. Meal services for COMSN nursing care institutions are outsourced to the restaurant business, which is creating synergy in terms of higher occupancy rates.

Notwithstanding, both of these businesses are still in the “upfront investment” stage. During the consolidated financial year, the “senior residence and restaurant” business produced revenues of 3,871 million yen for an operating loss of 1,184 million yen.

#### (Other businesses)

(Unit: Rounded down to the nearest 1 million yen)

	FYE June 2006	FYE June 2005	Change (%)
Revenues from outside customers	1,128	846	33.2
Inter-segment revenues	3	0	--
Total revenues	1,132	847	33.7
Operating profits	-140	-270	--
Depreciation of goodwill	26	20	33.6
Operating profits prior to depreciation of goodwill	-113	-250	--

Other businesses include the daycare services market, where the company has been expanding the scale of its operations in light of growing consumer needs. Japan’s declining birthrate is receiving greater attention in conjunction with programs to address aging demographics, both of which are emerging as political issues and creating the need for better infrastructure that will make it easier for women to both participate in society and raise children. In April 2005 the “Ordinary Business Action Plan” was formulated as required under the “Law to Promote Assistance in Rearing the Next Generation,” and this is resulting in a rapid increase in corporate demand.

In the pet services market, recent scientific studies on the health benefits of pets have resulted in substantial increases in the rates of singles and senior citizens keeping pets. This market is expected to continue to expand in the future.

Nonetheless, both of these businesses are still in the “upfront investment” stage. For the consolidated financial year, “other businesses” produced revenues of 1,128 million yen (up 33.2% year-on-year) for operating losses of 140 million yen.

## Financial status

### (2) Overview of the consolidated financial year

At the end of the consolidated financial year, the company had cash and cash equivalents (“cash” hereinafter) of 16,315 million yen, a decline of 6,872 million yen compared to the end of the previous financial year. Below is an overview of cash flows and driving factors.

### (Cash flows from operating activities)

Cash increased by 7,138 million yen as a result of increased operating activities (last financial year: 414 million yen increase). This was primarily the result of solid performance in the human resources services and nursing and health care support services sectors, together with an increase in revenues from guarantees

received in conjunction with greater numbers of residents in the COMSN institutional nursing care facilities.

**(Cash flows from investing activities)**

Cash declined by 13,526 million yen as a result of investing activities (last financial year: 16,921 million yen decrease). This was primarily the result of construction of buildings for the institutional nursing care services of COMSN, Inc.

**(Cash flows from financing activities)**

Cash decreased by 1,124 million yen as a result of financing activities (last financial year: 25,413 million yen increase). This was primarily the result of the issue of convertible bond-type bonds with new share acquisition rights, purchase of treasury shares and repayment of borrowings.

## **Outlook for the Next Fiscal Year**

Overall, the Japanese economy forecasts a continued recovery trend. Within this, in the human resources services market we anticipate an acceleration of the trend towards outsourcing as companies move more of their payrolls from fixed to floating expenses in an effort to achieve greater efficiency. We also look for an increase in corporate demand as staffing services gain wider recognition. Having solidified our base of operations by securing “supplies” in the form of enhancements to our networking capacity and growth in our registered staff numbers, we plan to move into a new phase of stable revenue expansion and profit growth.

In the nursing and health care support business, we anticipate making the transition to profit growth. The nursing care market is expanding and the group has extended its nursing care service locations around Japan, enabling it to provide the tailor made, community-oriented services that will establish and strengthen its customer base. In the future, we plan to make effective use of our visiting care infrastructure to meet the growing demand for preventative nursing care and day services while also offering institutional care so as to create a comprehensive package to drive further expansion.

We also anticipate comparatively solid performance for the human resources business, senior residence and restaurant business and other businesses.

The (full-year) forecast for the next consolidated financial year looks for consolidated revenues of 240,000 million yen, resulting in consolidated recurring profits of 9,000 million yen and consolidated net earnings of 4,000 million yen.