



FYE June 2007 Financial Statements (Consolidated)

August 31, 2007

Name of listed company: The Goodwill Group, Inc.

Listed exchange: Tokyo

Code No.: 4723

(URL: <http://www.goodwill.com>)

Representative: Name: Masahiro Origuchi

Position: Representative Director, Chairman and CEO

Contact: Name: Kazuo Osako

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Date of Board of Directors meeting to approve accounts: September 28, 2007

Scheduled date of securities report submission: September 28, 2007

Note: Amounts are presented rounded down to the nearest 1 million yen.

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

(1) Consolidated business results (Percentages indicate year-on-year rate of change)

	Revenues		Operating profits		Recurring profits		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FYE June 2007	509,001	173.7	9,945	25.0	6,794	1.3	-40,708	
FYE June 2006	185,948	30.8	7,895	40.5	6,704	55.2	3,429	134.4

	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
	yen	yen	%	%	%
FYE June 2007	19,510.20	-	-138.1	2.6	2.0
FYE June 2006	1,743.22	-	8.0	5.1	4.2

(2) Consolidated financial status

	Total assets	Net assets	Capital ratio	Net assets per share
	Million yen	Million yen	%	yen
FYE June 2007	391,088	35,957	2.4	4,569.51
FYE June 2006	139,541	50,733	35.4	23,783.09

(Reference) Shareholders' equity
 FYE June 2007 9,561 million yen
 FYE June 2006 49,391 million yen

(3) Consolidated cash flow status

	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 2007	- 8,420	- 39,054	88,964	57,901
FYE June 2006	7,138	- 13,526	- 1,124	16,315

2. Dividends

(Date of record)	Dividend per share					Total dividend (annual)	Payout ratio (consolidated)	Net asset dividends (consolidated)
	End of Q 1	End of H 1	End of Q 3	End of term	Full-year			
	yen	yen	yen	yen	yen	Million yen	%	%
FYE June 2006	0	1,125	0	500	1,625	1,735	50.2	4.0
FYE June 2007	0	0	0	0	0	0	0.0	0.0
FYE June 2008 (forecast)	TBA					-	-	-

See P5 (3) Basic guidelines regarding distribution of earnings and dividends this term and next term.

3. Consolidated results forecast for FYE June 2008 (July 1, 2007 to June 30, 2008)

We are in the process of assigning our nursing-care and related operations and the impact that this will have on the consolidated results forecast is yet unknown. We will therefore refrain from publishing consolidated results forecasts for FYE June 2008.

1. Business Results

(1) Analysis of business results

(i) Overview of this consolidated accounting year

Before providing the overview of business results, we would like to furnish a brief explanation about the incidents at COMSN, Inc. that led to punitive measures by the Ministry of Health, Labour and Welfare.

Subsidiary COMSN Inc. is engaged in nursing care services under the Nursing Care Insurance Law, and on June 6, 2007 the Ministry of Health, Labour and Welfare sent to the directors for nursing care insurance in the governments of prefectures, semi-autonomous cities and other core cities a notice entitled "Response etc. to Illegal Activities by COMSN, Inc." in which it found that 8 offices of COMSN, Inc. in 5 cities and prefectures "received certification by improper means" and issued technical advice to local governments "not to issue certifications, permits or renewals to any COMSN, Inc. office as a nursing care provider for a period of 5 years from the date on which illegal activities took place." This was done under the provisions of Article 245-4:1 of the Local Government Law. As a result, COMSN, Inc. became unable to obtain certifications, permits or renewals as a nursing care service provider under the Nursing Care Insurance Law from June 6, 2007 to December 7, 2011.

The Goodwill Group, Inc., taking responsibility for the serious damage done by COMSN, Inc. to the credibility of the Nursing Care Insurance Law, resolved to withdraw from all nursing care services and all allied services within the group upon the conclusion of assignment of the services to other operators. On July 31, 2007, COMSN, Inc. submitted to the Ministry of Health, Labour and Welfare a "Business Transition Plan" in which its nursing care services would be assigned to operators outside the group.

In moving forward with the "Business Transition Plan" of COMSN Inc., it was decided, in light of public opinion on the desirability of tailoring nursing care services to community requirements and in light of the wishes of local governments, that the COMSN Inc. nursing care services would be divided up into home-care services and residential-care services, with all residential-care services in Japan assigned to a single entity and the home-care services further divided into 47 prefectural units.

To determine candidate purchasers, we established a Third-Party Committee comprised of experts in the field and asked it to establish screening criteria with primary emphasis on the continuity of services to all users and the continuity of employment for staff. The Committee was then charged with screening potential candidates and selecting recommendations. Following this process, detailed negotiations were held between COMSN, Inc. and the providers selected by the Third-Party Committee as candidate purchasers and formal decisions on purchasers were made.

Until such time as the assignment of operations is completed, COMSN, Inc. will continue to provide services to customers in a responsible manner.

We vow to make a new start for The Goodwill Group, bringing all employees together to enhance and reinforce our compliance and corporate governance systems, furnish the best possible services and restore our faith and credibility.

Let us now turn to the status of business operations for this accounting year.

During this consolidated accounting year there were factors for uncertainty in the Japanese economy, particularly the slowdown in the US economy and trends on the foreign exchange market, but improvements in corporate earnings resulted in strong private sector capital investments, which combined with signs of improvement in consumer spending to allow the economy to enjoy a modest recovery trend.

It was within this context that the core human resources services business of the group acquired Goodwill Premier Inc. and its subsidiaries (referred to jointly as the "Premier Group" hereinafter) in October 2006. Goodwill Premier is a human resources referral and subcontracting company, and its results for the 6-month period from October 2006 to March 2007 were included in and made a significant contribution to this year's consolidated results. "Human resources services" continued to enjoy steady growth thanks to the continued strong demand in the entire human resources business market as improving economic conditions produced staffing shortages at many companies.

In the nursing care services business, it became extremely difficult to secure profits, particularly from homecare services, due to the April 2006 amendments to the Nursing Care Insurance Law. We are now in the process of selling all nursing care and related services conducted by COMSN, Inc. and other group members to outside parties, as described above.

These efforts, the inclusion of the Premier Group in consolidation, the continued strength in the human resources services business, and the impact of aggressive M&A programs to this point resulted in revenues for the consolidated accounting year of 509,001 million yen, a large increase of 323,052 million yen over the previous consolidated accounting year.

On the profit side, aggressive M&A helped to increase earnings, but at 6,794 million yen, recurring profits were only slightly higher than the previous consolidated accounting year. The primary factors in this were the increase in debt service and amortization of goodwill together with the deterioration of results at COMSN Inc. etc. The final profit/loss for the year was a

net loss of 40,708 million yen due to impairment treatment for the nursing care and healthcare support businesses (the previous consolidated accounting year recorded net income of 3,429 million yen).

Below are summaries for each business segment. Note that the segments traditionally presented as “human resources-related businesses” and “senior residence and restaurants business” are presented beginning this consolidated accounting year as “other businesses” because the addition of new consolidated subsidiaries has reduced their share of the group’s total business and their importance within group operations.

(Human resources services)

The addition of the Premier Group to consolidation significantly contributed to the human resources services segment. The strong economy has produced large increases in the demand for staff referrals, both to address corporate needs for more people and also to enable cost reductions and management efficiency gains.

The Premier Group has developed a wide range of domestic and international services for the placement of manufacturing personnel, engineers and office staff. The acquisition has expanded the group’s scale of operations in these segments and begun to produce significant group synergies. By having in the group both the Premier Group, which is primarily involved in longer-term referrals of manufacturing workers and engineers, and Goodwill Inc., which uses IT systems to concentrate primarily on shorter-term referrals, the group enjoys a healthy competition between companies in the same sector while also creating scale merits. As a result, our business lines are able to accommodate a wide range of corporate human resources needs, and this has enabled us to emerge as a major comprehensive human resources services company.

Engineer referrals have been a sector of particularly sharp growth for the group, and we are experiencing concrete synergies from the combination of Premier Group’s engineer referrals unit and the pre-existing Goodwill Engineering, Inc. unit. We are now the largest player in the sector thanks to our predominant ability to recruit engineers in a wide range of advanced specialties, including mechanical, electrical, electronic, information processing and control engineering. Goodwill anticipates substantial growth for this area in the future due to the tight market environment for engineers.

Goodwill, Inc. has continued to grow steadily, recruiting greater numbers of registered staff so as to expand its supply capacity and expanding its branch offices so as to enhance its networking. The company has launched a new label for office staff referrals called “Goodwill.BIZ,” that is also achieving rapid growth.

For the consolidated accounting year, the human resources services business posted a 295,726 million yen year-on-year increase in revenues to 410,329 million yen, for an 8,320 million yen increase in operating profits to 16,503 million yen.

(Nursing and health care support business)

In the “nursing and health care support business,” amendments to the Nursing Care Insurance Law that took effect in April 2006 made it difficult to secure profits, particularly in the home nursing care business. We are now in the process of selling all nursing care and related services conducted by COMSN, Inc. and other group members to outside parties, as described above. We are exerting every effort not to inconvenience or cause anxiety among the customers currently making use of services nor to impair the continuity of employment for employees, and are moving forward with the assignment with the utmost care.

For the consolidated accounting year, the nursing and health care support business posted a 20,749 million yen year-on-year increase in revenues to 84,433 million yen, for a 4,844 million yen operating loss (compared to a 948 million yen operating profit the previous year).

(Other businesses)

The restaurant business currently operates 42 restaurants in Japan and 2 restaurants overseas. We are in the process of implementing a plan for the growth of core restaurant operations in this segment. The food services unit has provided food services for the nursing care institutions operated by COMSN Inc., and we will be negotiating with the purchasers of COMSN, Inc. operations regarding the continuity of the services after operations are assigned.

Other businesses are seen as value-added services that can enhance the range of our lineup as a comprehensive human resources services provider.

For the consolidated accounting year, other businesses posted a 6,577 million yen year-on-year increase in revenues to 14,238 million yen, for an 835 million yen increase in operating loss to 2,459 million yen.

(ii) Forecast

We are in the process of assigning our nursing-care and related operations and the impact that this will have on the consolidated results forecast is as yet unknown. We will therefore refrain from publishing consolidated results forecasts for FYE June 2008.

We will disclose results forecasts for FYE June 2008 as soon as the impact on consolidated results from the transfer of nursing-care and related operations is known.

(2) Analysis of financial position

During the consolidated accounting year, gross assets were 391,088 million yen, an increase of 251,547 million yen compared to the end of the previous consolidated accounting year. Shareholders equity was 9,516 million yen, a decline of 39,915 million yen compared to the end of the previous consolidated accounting year.

Below are the major factors involved in these changes.

In assets, liquid assets were 225,760 million yen, an increase of 175,985 million yen compared to the end of the previous consolidated accounting year. This breaks down to cash and deposits of 59,601 million yen, an increase of 43,286 million yen from the end of the previous consolidated accounting year, and bills and accounts receivable of 86,458 million yen, an increase of 71,350 million yen from the end of the previous consolidated accounting year.

These large increases were caused primarily by the acquisition of Goodwill Premier, Inc. (formerly, Crystal Co., Ltd.) in October 2006. Intangible fixed assets were 75,992 million yen, an increase of 42,452 million yen compared to the end of the previous consolidated accounting year. This breaks down to 9,869 million yen in trademark rights from the acquisition of Goodwill Premier Inc. etc., an increase of 9,865 million yen compared to the end of the previous consolidated financial year, and goodwill of 64,247 million yen, an increase of 31,269 million yen compared to the end of the previous consolidated accounting year.

In liabilities, liquid liabilities were 309,973 million yen, an increase of 267,195 million yen compared to the end of the previous consolidated financial year.

The primary factor in this is 172,130 million yen in short-term borrowings for M&A and operating capital, an increase of 152,597 million yen compared to the previous consolidated accounting year. As a result of the acquisition of Goodwill Premier Inc., accounts payable and accrued expenses increased by 75,322 million yen compared to the previous accounting year to 90,066 million yen. Likewise, accrued corporate taxes etc. and accrued consumption tax increased by 10,671 million yen to 15,213 million yen.

(3) Basic guidelines regarding distribution of earnings and dividends this term and next term

It is with sincere regret that we had to forego payment of an interim dividend for the 13th term (FYE June 2007), and we will unfortunately have to forego payment of a year-end dividend as well.

We are in the process of assigning our nursing-care and related operations and the impact that this will have on the consolidated results forecast is as yet unknown. We will therefore refrain from publishing consolidated results forecasts for FYE June 2008.

We will disclose results and dividend forecasts for FYE June 2008 as soon as the impact on consolidated results from the transfer of nursing-care and related operations is known.

4. Consolidated financial statements

(1) (Summary) Consolidated Balance Sheet

Classification	Note number	End of previous consolidated accounting year (June 30, 2006)		End of this consolidated accounting year (June 30, 2007)	
		Amount (× 1,000 yen)	Percentage (%)	Amount (× 1,000 yen)	Percentage (%)
(Assets)					
I Current assets					
1. Cash and deposits			16,315		59,601
2. Trade notes and accounts receivable	*4		15,108		86,458
3. Accrued operating receivables			13,320		13,151
4. Inventories			599		1,520
5. Deferred tax assets			1,229		11,229
6. Prepaid expenses			1,950		10,802
7. Accrued income			--		28,310
8. Others			1,393		19,296
9. Reserve against defaults			-142		-4,610
Total current assets			49,775	35.7	225,760
57.7					
II Fixed assets					
1. Tangible fixed assets					
(1) Buildings and structures	*1	14,719		37,690	
Cumulative depreciation and amortization		1,896	12,823	7,219	30,471
(2) Aircraft		3,604		3,604	
Cumulative depreciation and amortization		467	3,137	655	2,949
(3) Fixtures and equipment		6,863		11,622	
Cumulative depreciation and amortization		3,749	3,113	7,015	4,606
(4) Land	*1		23,948		27,495
(5) Construction suspense account			2,415		743
(6) Other areas		166		2,042	
Cumulative depreciation and amortization		124	41	925	1,116
Total tangible fixed assets			45,479	32.6	67,382
17.2					
2. Intangible fixed assets					
(1) Good will			32,978		64,247
(2) Software			346		1,472
(3) Others			215		10,272
Total intangible fixed assets			33,540	24.0	75,992
19.5					
3. Investments and other assets	*3				
(1) Investment securities			743		3,914
(2) Long-term loans			896		1,983
(3) Deferred tax assets			627		2,777
(4) Bankrupt credits etc.			286		723
(5) Lease guarantee money			5,588		9,992
(6) Long-term prepaid expenses			2,460		1,517
(7) Others	*1		439		3,422
(8) Reserve against defaults			-295		-1,150
(9) Reserve against investment losses			--		-1,228
Total investments and other assets			10,746	7.7	21,952
5.6					
Total fixed assets			89,766	64.3	165,327
42.3					
Total assets			139,541	100.0	391,088
100.0					

Classification	Note number	End of previous consolidated accounting year (June 30, 2006)		End of this consolidated accounting year (June 30, 2007)	
		Amount (× 1,000 yen)	Percentage (%)	Amount (× 1,000 yen)	Percentage (%)
(Liabilities)					
I Current liabilities					
1. Bills payable and accounts payable		483		3,420	
2. Short-term borrowings	*1, 2	19,532		168,004	
3. Bonds scheduled for redemption within 1 year	*1	--		4,126	
4. Accrued expenses		10,719		52,913	
5. Accrued corporate taxes etc.		2,974		10,006	
6. Accrued consumption tax etc.		1,567		6,202	
7. Accounts payable		--		37,152	
8. Reserve for bonuses		--		7,683	
9. Reserve for order-booking losses		--		455	
10. Reserve for losses on data equipment charges		--		3,265	
11. Reserve for refunds of nursing care remuneration		--		1,837	
12. Reserve for losses on withdrawal from business		--		1,245	
13. Others		7,501		13,658	
Total current liabilities		42,778	30.6	309,973	79.2
II Non-current liabilities					
1. Bonds	*1	—		6,255	
2. Long-term borrowings	*1, 2	40,274		24,459	
3. Reserve for retirement benefits		41		4,552	
4. Others		5,713		9,888	
Total non-current liabilities		46,029	33.0	45,156	11.6
Total liabilities		88,808	63.6	355,130	90.8
(Net assets)					
I Shareholders' equity					
1 Capital		26,618	19.1	26,618	6.8
2 Capital surplus		35,620	25.5	35,980	9.2
3 Retained earnings		-8,830	-6.3	-50,576	-12.9
4 Treasury shares		-3,978	-2.9	-2,506	-0.7
Total shareholders equity		49,431	35.4	9,516	2.4
II Valuation/translation discrepancy etc.					
1 Net unrealized gain on other securities		6	0.0	-73	-0.0
2 Deferred profit/loss on hedges		-59	-0.0	-47	-0.0
3 Foreign currency translation adjustment account		14	0.0	165	0.0
Total valuation/translation discrepancy etc.		-39	-0.0	44	0.0
III Minority shareholder equity					
		1,341	1.0	26,396	6.8
Total net assets		50,733	36.4	35,957	9.2
Total net assets and liabilities		139,541	100.0	391,088	100.0

(2) Consolidated Profit and Loss Statement

Classification	Note number	Previous consolidated accounting year (From July 1, 2005 to June 30, 2006)		This consolidated accounting year (From July 1, 2006 to June 30, 2007)		
		Amount (× 1,000 yen)	Percentage (%)	Amount (× 1,000 yen)	Percentage (%)	
I Revenues			185,948	100.0	509,001	100.0
II Cost of sales			123,779	66.6	386,397	75.9
Gross profits			62,168	33.4	122,603	24.1
III Selling, general and administrative expenses						
1. Wages and allowances		23,275			46,925	
2. Retirement benefit expenses		25			172	
3. Leases		4,976			13,407	
4. Communications expenses		2,200			3,465	
5. Amortization of goodwill		1,838			2,954	
6. Depreciation and amortization		1,871			3,771	
7. Allocation to reserve against defaults		176			976	
8. Advertising expenses		3,502			5,326	
9. Others		16,406	54,273	29.2	35,657	112,657
Operating profits			7,895	4.2	9,945	2.0
IV Non-operating profits						
1. Interest receivable		54			146	
2. Dividend receivable		10			181	
3. Fees receivable		--			24	
4. Rent receivable		221			295	
5. Refund add-on		56			--	
6. Others		137	480	0.3	1,551	2,199
V Non-operating expenses						
1. Interests payable		1,140			3,132	
2. Fees payable		138			1,119	
3. Expenses for leased assets		170			189	
4. Others		221	1,671	0.9	911	5,351
Recurring profits			6,704	3.6	6,794	1.3
VI Extraordinary profits						
1. Profit on restatement of previous term profit/loss	*1	50			--	
2. Profit on sale of fixed assets	*2	202			763	
3. Profit on sale of investment securities		3			16	
5. Others		--	256	0.1	352	1,133
VII Extraordinary losses						
1. Loss on sale of fixed assets	*3	0			75	
2. Loss on disposal of fixed assets	*4	139			351	
3. Impairment	*5	84			31,213	
4. Appraisal loss on investment securities		55			68	
5. Director severance benefits		50			--	
7. Loss on withdrawal from business		--			3,419	
8. Loss on refund of nursing care remuneration		--			1,179	
9. Loss on data equipment charges		--			3,356	
10. Others		--	330	0.1	1,522	41,183
Net income before taxes etc.			6,630	3.6	-33,256	-6.5
Corporate tax, residential		4,326			5,807	

