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To whom it may concern:

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## **Cessation of Negotiations on Capital and Operational Alliance with United Technology Holdings Co., Ltd.**

In a press release issued on March 25, 2008 ("Notice of Talks with the Management of United Technology Holdings Co., Ltd.") we informed you of talks with United Technology Holdings Co., Ltd. ("UT" hereinafter) on an alliance between the companies. These talks continued after March 25. However, this is to inform you that the proposals received from UT have been formally rejected and the decision has been made to curtail negotiations. This was done because the proposals were completely lacking in rationality from the perspective of maintaining and improving our corporate value and indeed threatened to significantly injure corporate value. They also contained wording constituting the act of requiring the provision of illegal profits with respect to the exercise of shareholder rights, a practice that is prohibited under the Japanese Corporation Law.

### *Details*

#### **1. Request from UT for gratis allocation of warrants**

On March 21, 2008 it was learned that UT had acquired 766,594 shares in the company, constituting 30.4% of the total issued and outstanding shares. On April 11, the UT management team furnished our management team with a proposal on a business and capital alliance ("UT Proposal 1" hereinafter). Below is a description of the content of UT Proposal 1.

#### **[UT Proposal 1]**

- (1) Acceptance of 3 directors nominated by UT and their involvement in management.
- (2) Operational alliance in 4 areas between the UT Group and the Goodwill Group.
- (3) As countervalue for the improvement in Goodwill's corporate value as a result of (1) and (2), gratis allocation to UT of warrants enabling UT to acquire 33.4% of the company's stock (adjusting for potential shares).
- (4) Inclusion of (1) and (3) as company proposals on the agenda for the Extraordinary General Meeting of Shareholders scheduled to be convened at the end of May 2008.

## 2. Our judgment

Our internal project team (Chairman: Takeo Isaji, Executive Officer and CEO) conducted an earnest and forthright review of the content of the UT proposal and determined that UT Proposal 1 could not be accepted for the following reasons.

1. UT proposed operational alliances in 4 areas, but none of them were realistic or feasible and estimations indicated that they would at maximum have an impact of 245 million yen per year on our operating profits. This was pointed out to UT and quantified, concrete explanations of the feasibility and impact of any operational alliance were requested, but the answers received were merely qualitative and abstract. UT also proposed enhancements to our compliance systems, but on no point were the proposed enhancements superior to the compliance systems we already have in place.
2. For this, UT demanded the allocation of warrants with a total value as estimated by a third-party institution of 10,169 million yen. There were no rational grounds for the company allocating such warrants to UT free of charge. This was also indicated to UT, but their response merely articulated ideas that have been rejected by the courts, for example, that the price of the warrants can be reduced if an acquisition clause is attached (for example, see the SunTelephone case ruled on by the Tokyo District Court on June 30, 2006; Hanrei Times No. 1220, p. 110).
3. In addition, the issue of warrants to UT would contravene the contract entered into with creditor Promontoria Investments I B.V. ("Promontoria" hereinafter), and were we to fail to obtain the consent of Promontoria to the issue of the warrants, we would potentially lose the benefit of time with respect to the total obligation of 79.5 billion yen that we bear against Promontoria. UT indicated that it had no intention to provide credit supplementation for this total amount of approximately 79.5 billion yen.
4. Goodwill and UT are both engaged in the human resources referral business and are in a fully competitive relationship. Were we to enter into a business alliance with UT and to accept persons nominated by UT as directors, there would be potential for our business secrets and expertise in the human resources referrals area to be passed to UT, significantly injuring our corporate value.

## 3. UT's demand for the sale of subsidiary etc. shares

In light of the judgments described above, our management team informed the management of UT that it would be difficult to accept UT Proposal 1, and on April 29, 2008 UT furnished the following alternative proposal ("UT Proposal 2").

### [UT Proposal 2]

- (1) Transfer to UT either in the form of an assignment of shares or a share swap of shares held by the company in group members Buntechno Co., Ltd. and TST, Inc. valued at a total of between 5 billion yen and 7 billion yen.
- (2) Friendly business alliance between the UT Group and the Goodwill Group in areas such as operational cooperation and hiring cooperation.
- (3) Upon achievement of (1) and (2) and at the request of Goodwill, consideration by UT of sale either to a third party or on the market of shares in Goodwill held by UT.

UT Proposal 2 requires the sale of Buntechno Co., Ltd. and TST, Inc., both of which operate in our core business domain of engineer referrals. This is unacceptable in terms of our business strategy.

In addition, UT's valuation of the two subsidiaries is merely 3.8-5.3 times the forecast EBITDA for FYE March 2008, which is clearly an attempt to acquire the companies at bargain prices when compared to the EBITDA multipliers used in valuations for similar M&A deals in the human resources referrals industry. We would note that when valued at the April 30, 2008 closing price for our shares of 12,760 yen, we have a corporate value of 11.6 times the group's EBITDA for the preceding 12 months, and even when valued at 9,000 yen, the issuing price for common stock in the company in the recent capital increase by third-party allotment (payment completed on April 25), our corporate value is 10.9 times the group EBITDA for the preceding 12 months.<sup>1</sup>

UT is a major shareholder owning 25.66% of the company's stock (percentage of voting rights), and it would significantly impair our corporate value to assign subsidiary shares to a specific major shareholder at low prices that would be inconceivable in a rational transaction with a third party. Inasmuch as Goodwill is a viable, ongoing enterprise, this request by UT must be considered an attempt by a major shareholder to use its power to compel the sale of a core business and therefore constitutes "acquisition of shares for the purpose of 'scorched earth-policy' management in which temporary control of corporate management is used to cause a company to reassign intellectual property rights, expertise, confidential information, major suppliers and customers and other components required by the business either to the party making the acquisition or the members of its corporate grouping etc." (Nippon Broadcasting System case; Tokyo High Court ruling on March 23, 2005; see Hanrei Jiho No. 1899, p. 56).

In consideration of the above, it was determined that the company would also be unable to accept UT Proposal 2.

#### **4. The actions of the UT management team constitute requests for the provision of illegal profits prohibited under the Japanese Corporation Law**

In addition, our legal counsel has indicated that requests made by UT during consultations constitute the act of seeking the provision of illegal profits with respect to the exercise of shareholder rights, which is prohibited under the Japanese Corporation Law.

The company, noting its reasons, responded to the UT management team that: (1) the proposal to nominate persons selected by UT as director and (2) the proposal to make an advantageous issue of warrants to UT would not be included as company proposals on the agenda for the Extraordinary General Meeting of Shareholders scheduled for the end of May. The UT management repeatedly informed us, both orally and in writing, that if matters (1) and (2) above were included in the agenda as company proposals for the Extraordinary General Meeting of Shareholders and it were

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<sup>1</sup> The net liabilities used to calculate corporate value were the figures as at the end of December 2007; EBITDA for the preceding 12 months was EBITDA for a 12-month period counting back from the end of December 2007.

certain that warrants would be issued gratis to UT, UT would support the other proposals made by the company to the Extraordinary General Meeting of Shareholders (proposal to amend the Articles of Incorporation to enable the issuing of Class A shares as scheduled for allocation to Promontoria and proposal to issue Class A preferred shares), but if UT Proposal 1 were not brought before the meeting or were brought but there were no expectation of it being passed, that UT would not support the proposal to issue Class A shares. Such statements are viewed as a request that we provide UT "financial benefits" (i.e., 10,169 million yen in warrants) for the "exercise of shareholder rights" (exercise of voting rights at the Extraordinary General Meeting of Shareholders) and are therefore deemed to constitute requests for provision of illegal profits with respect to the exercise of rights by shareholders.

In addition, UT CEO Yoichi Wakayama informed the company that if it failed to accept UT Proposal 2, UT would be forced to reject the company proposals on the agenda for the Extraordinary General Meeting of Shareholders. This action is likewise considered to constitute a request for provision of illegal profits with respect to the exercise of rights by shareholders in that it demands that the company furnish UT with "financial benefits" in the form of shares in group companies for the "exercise of shareholder rights" in the form of voting rights at the Extraordinary General Meeting of Shareholders.

Therefore, were the company to accept UT's demands and make a gratis allocation of warrants to UT or assign it shares in the group companies at unreasonably low prices in exchange for support for the company proposals on the agenda for the Extraordinary General Meeting of Shareholders, such actions on the part of the company would constitute the crime (under Article 970:1 of the Japanese Corporation Law) of "provision of illegal profits with respect to the exercise of rights by shareholders."

Obviously, the company cannot engage in actions prohibited under the Japanese Corporation Law, and we therefore determined that we would be unable to accept any of the demands made by UT.

In addition, we have entered into consultations, through our legal counsel, with the Special Investigations Unit in the Tokyo District Public Prosecutors Office and with the Metropolitan Police Department regarding these actions on the part of the UT management team.

## **5. Future response**

As disclosed in the press release issued today and entitled "Notice of Partial Amendment of Articles of Incorporation," it has been decided to convene an Extraordinary General Meeting of Shareholders on May 23, and the proposals brought to the General Meeting of Shareholders by the company (proposal to amend the Articles of Incorporation to allow the issue of the Class A shares scheduled to be allocated to Promontoria, proposal to issue Class A preferred shares) are essential to the company's financial restructuring. We will therefore continue to furnish information so as to enable our shareholders to better understand these proposals and support them in the General Meeting.

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