

## Summary of 3<sup>rd</sup> Quarter Results for Fiscal Year Ending June 2004 (Consolidated)

May 10, 2004

Name of listed company: The Goodwill Group, Inc.  
(URL <http://www.goodwill.com>)

Listed Market: TSE Section 1  
Ticker No.: 4723

Representative: Masahiro Origuchi Representative Director and Chairman

Contact person: Akira Kanazaki Managing Director, General Manager of Administration, and  
Head of Chairman's Office (03-3405-9228)

### 1. Underlying Assumptions in Preparing Quarterly Operating Result Summary

Difference in accounting methods between the previous consolidated fiscal year and this quarterly business report: None

Changes in the scope of consolidation and the application of equity method: None

### 2. Summary of 3<sup>rd</sup> Quarter Operating Results for the Fiscal Year ending June 2004 (July 1, 2003 ~ March 31, 2004)

(1) Operating results (Rounded down to the nearest million)

	Revenues		Operating Income		Ordinary Income	
	MM Yen	%	MM Yen	%	MM Yen	%
3Q FYE June 2004	66,384	(46.9)	4,348	(11.3)	4,098	(6.8)
3Q FYE June 2003	45,194	(28.9)	3,908	(49.1)	3,837	(48.1)
(Reference) FYE June 2003	62,272	(31.6)	4,971	(32.3)	4,814	(31.6)

(Note) Percentages in parentheses in the revenues, operating income and ordinary income sections indicate rate of increase/decrease from the same quarter of the previous fiscal year.

[Supplementary comments concerning the operating results]

During the quarter in review, the domestic economy showed trends of steady recovery with increases in capital investment and exports. However, unemployment rates continued to fluctuate at a high of around 5%, and while corporate earnings improved, the economic recovery did not broaden its base to the ordinary consumers.

Under such conditions, for the Group, market recovery was particularly evident in the "human resource service" sector, one of its core businesses, and accordingly operating results in this area was strong. Meanwhile, with the rise in "outsourcing" needs on the part of the customers, the Group aggressively launched new branches in response to the significantly burgeoning demands, and opened 58 new branches within the quarter in review. The Group is implementing measures to improve customer satisfaction through strengthening areas of expertise among other means while also ensuring convenience for both the customers and registered staff, and as a result, is posting higher revenues.

With regard to the "nursing care service" which is another core business for the Group, performances were strong given the increase in public awareness and utilization rate of the "nursing care insurance" system engendered by the rising elderly population and also owing to the establishment of the "COMSN brand". In terms of the home nursing care business, the Group continued to expand service locations and opened 50 new venues bringing the total to 706 locations. In the core "group home" operation of the institutional nursing care business, the Group opened 9 new homes during the quarter, bringing the total to 43 locations. Furthermore, the Group's pay nursing home business also showed strong performance as the 3 existing pay nursing homes were operated at full occupancy.

In the human resource related business, the driver dispatch and employee counseling program (EAP) businesses made steady progress.

As per the above, the Group displayed strong performance in the various business segments during the quarter in review. However, in the two growing markets of "human resource" and "nursing care" services, the Group prioritized advance investments and aggressive development of new service locations over short-term profitability. As such, in terms of the operating results for the third quarter (the three month period from January 1 to March 31, 2004), while consolidated revenues increased year on year by 7,728 million yen to 23,920 million yen, ordinary income fell by 388 million to 990 million yen on implementation of aggressive measures as mentioned above along with COMSN's entry into a new market of care-service equipped senior residences (COMSN Residence).

- (2) Events having significant effects on the financial conditions and operating results of the company group during the quarter in review

Applicable events have not emerged.

**3. Forecast on Financial Results for the Consolidated Fiscal Year ending June 2004  
(July 1, 2003 ~ June 30, 2004)**

	Revenue Forecast	Ordinary Income Forecast	Net Income Forecast	Earnings per Share Forecast
	MM Yen	MM Yen	MM Yen	Yen
Full year	91,000	5,500	2,700	4,632.31

[Qualitative information concerning the financial forecast]

With regard to the forecast on financial results for the consolidated fiscal year in review, the original forecasts for revenues, ordinary income and net income of 85,000 million yen, 5,900 million yen and 3,000 million yen respectively have been revised as indicated above. While the Group continues to post sound revenues with higher year-on-year gross profit margin and improved profitability, as presented in the “(Reference) 2. Consolidated Statement of Income for the 3<sup>rd</sup> Quarter” section in the pages to follow, the ordinary income for the third quarter alone fell short of the corresponding figure of the previous third quarter. This was primarily due to the Group’s advance investments of approximately 420 million yen in COMSN’s business operations. The initial opening and sales promotion costs of approximately 300 million yen were spent on COMSN’s accelerated opening of the highly demanded group home facilities; a launch of 80 new venues marking an increase of 20 venues relative to the original plan. Advance investments of approximately 55 million yen in connection with COMSN’s entry into the new market of care-service equipped senior residences (COMSN residence), along with an additional interest burden of approximately 65 million yen on land acquisition also contributed to the outflow. The Group is projecting larger revenues relative to the initial forecast as the Company and COMSN are expected to show strong performance. Meanwhile, incomes are minimized in light of the additional burden associated with the aforementioned advance investments.

(Reference)

**1. Overview of Consolidated Revenues for the 3<sup>rd</sup> Quarter**

(Unit: '000 Yen; rounded down to nearest '000 Yen)

Items \ Period		3Q FYE June 2004 (From Jan. 1, 2004 To March 31, 2004)	3Q FYE June 2003 (From Jan. 1, 2003 To March 31, 2003)	% Increase/ Decrease
Business Segment	Subcontracting	13,846,165	9,964,954	38.9%
	Human resource related	695,484	441,187	57.6%
	Nursing Care/ Medical Support	9,378,590	5,785,593	62.1%
	Total	23,920,240	16,191,734	47.7%

- (Note) 1. Above figures do not include consumption taxes.
2. Numerical figures are omitted from the above as the businesses operated by the Group involve varying number of employees and different assignment durations, which make the indication of such figures inherently difficult.
3. Businesses are segmented based on those classifications used for internal management purposes. Above figures are after the elimination of inter-segment sales and transfers.
4. Segmentation
- Subcontracting: Light labor (The Company and subsidiary, Soar, Inc.)
- Human resource related: Employee Counseling Program (EAP) (subsidiary, Goodwill Career, Inc.), recruitment support (subsidiary, Goodwill Career, Inc.), driver dispatch (subsidiary, Soar, Inc.)
- Nursing care/  
medical support: Home nursing care, institutional nursing care, home-call dental treatment support (subsidiary, COMSN, Inc.)
5. Revenue figures above are unaudited.

(Reference)

**Overview of Consolidated Revenues through the 3<sup>rd</sup> Quarter (Cumulative)**

(Unit: '000 Yen; rounded down to nearest '000 Yen)

Items \ Period		3Q FYE June 2004 (From July 1, 2003 To March 31, 2004)	3Q FYE June 2003 (From July 1, 2002 To March 31, 2003)	% Increase/ Decrease
Business Segment	Subcontracting	38,733,348	27,799,775	39.3%
	Human resource related	1,889,658	1,316,897	43.5%
	Nursing Care/ Medical Support	25,761,755	16,077,395	60.2%
	Total	66,384,764	45,194,068	46.9%

## 2. Consolidated Statement of Income for the 3<sup>rd</sup> Quarter

(Unit: '000 Yen; rounded down to nearest '000 Yen)

Items	3Q FYE June 2004 (From January 1, 2004 To March 31, 2004) (A)		3Q FYE June 2003 (From July 1, 2003 To March 31, 2003) (B)		YoY Increase/Decrease	
	Amount	% Total	Amount	% Total	Amount (A) - (B)	% Total
Revenues	23,920,240	100.0	16,191,734	100.0	7,728,506	47.7
Cost of goods sold	15,996,306	66.9	10,894,653	67.3	5,101,652	46.8
Gross profit	7,923,934	33.1	5,297,081	32.7	2,626,853	49.6
Selling, general and administrative expenses	6,821,792	28.5	3,877,143	23.9	2,944,649	75.9
(of which, amortization of consolidated adjustment accounts)	(178,249)	(0.7)	(100,304)	(0.6)	(77,944)	(77.7)
Operating income	1,102,142	4.6	1,419,938	8.8	(317,795)	(22.4)
Non-operating income						
Interest income	988	0.0	2,570	0.0	(1,581)	(61.5)
Others	20,383	0.1	11,753	0.1	8,630	73.4
Non-operating expenses						
Discount rate on interest paid	101,242	0.4	53,035	0.3	48,207	90.9
Others	31,499	0.2	1,638	0.0	29,861	1,823.0
Ordinary income	990,771	4.1	1,379,587	8.5	(388,815)	(28.2)

(Note)

1. The above statement of income does not include items below special income and losses.
2. Figures in the "YoY Increase/Decrease" column are calculated based on the following equation.  

$$\% \text{ Increase/Decrease} = \frac{\text{Results of the current 3Q} - (B) \text{ Results of the previous 3Q}}{(B) \text{ Results of the previous 3Q}} \times 100$$
3. The figures above are unaudited.

**(Reference) Consolidated Statement of Income through the 3<sup>rd</sup> Quarter (Cumulative)**

(Unit: '000 Yen; rounded down to nearest '000 Yen)

Items	3Q FYE June 2004 (From July 1, 2003 To March 31, 2004) (A)		3Q FYE June 2003 (From July 1, 2002 To March 31, 2003) (B)		YoY Increase/Decrease	
	Amount	% Total	Amount	% Total	Amount (A) - (B)	% Total
Revenues	66,384,764	100.0	45,194,068	100.0	21,190,696	46.9
Cost of goods sold	44,057,811	66.4	30,394,352	67.3	13,663,459	45.0
Gross profit	22,326,953	33.6	14,799,716	32.7	7,527,236	50.9
Selling, general and administrative expenses	17,978,269	27.0	10,891,374	24.1	7,086,895	65.1
(of which, amortization of consolidated adjustment accounts)	(410,828)	(0.6)	(289,096)	(0.6)	(121,732)	(42.1)
Operating income	4,348,683	6.6	3,908,342	8.6	440,341	11.3
Non-operating income						
Interest income	14,518	0.0	18,164	0.0	(3,645)	(20.1)
Others	63,259	0.1	62,002	0.1	1,256	2.0
Non-operating expenses						
Discount rate on interest paid	242,254	0.4	136,070	0.3	106,183	78.0
Others	85,954	0.1	14,767	0.0	71,187	482.1
Ordinary income	4,098,252	6.2	3,837,671	8.5	260,581	6.8

(Note)

4. The above statement of income does not include items below special income and losses.
5. Figures in the "YoY Increase/Decrease" column are calculated based on the following equation.  

$$\% \text{ Increase/Decrease} = \frac{\text{Results of the current 3Q} - (B) \text{ Results of the previous 3Q}}{(B) \text{ Results of the previous 3Q}} \times 100$$
6. The figures above are unaudited.

### 3. Consolidated Balance Sheet for the 3<sup>rd</sup> Quarter

(Unit: '000 Yen; rounded down to nearest '000 Yen)

Items	3Q FYE June 2004 (As of March 31, 2004)	
	Amount ('000 Yen)	% Total
Current Assets	53,251,347	60.1
Fixed Assets		
Tangible assets	3,036,926	3.4
Intangible assets	27,052,209	30.6
Investments and other assets	5,242,969	5.9
Deferred Assets	0	0.0
Total Assets	<u>88,583,454</u>	100.0
Current Liabilities	33,615,156	38.0
Fixed Liabilities	16,339,580	18.4
Total Liabilities	<u>49,954,737</u>	56.4
Minority Interest	79,680	0.1
Total Shareholders' Equity	<u>38,549,036</u>	43.5
Total Liabilities, Minority Interest, and Shareholders' Equity	<u>88,583,454</u>	100.0

(Note) 1. The figures above are unaudited.

#### 4. Overview of Revenues for the 3<sup>rd</sup> Quarter (Stand-alone basis)

(Unit: '000 Yen; rounded down to nearest '000 Yen)

Items \ Period		3Q FYE June 2004 (From Jan. 1, 2004 To March 31, 2004)	3Q FYE June 2003 (From Jan. 1, 2003 To March 31, 2003)	% Increase/ Decrease
Sub-contracting Business	Casting	10,076,935	8,334,627	20.9%
	Construction	1,389,741	426,140	226.1%
	Sales promotion	674,170	381,829	76.6%
	Technical support	442,255	222,183	99.0%
	Office support	291,135	121,709	139.2%
	Events	354,963	156,703	126.5%
	Others	334,326	37,294	796.4%
Total		13,563,526	9,680,488	40.1%

(Note) 1. Above figures do not include consumption taxes.

2. Numerical figures are omitted from the above as the subcontracting business operated by the Company involves varying number of employees and different assignment durations, which make the indication of such figures inherently difficult.

3. Segmentation

Subcontracted casting:	subcontracting of general light labor operations
Subcontracted construction:	subcontracting of construction and interior finish work
Subcontracted sales promotion:	subcontracting of sales promotion work, etc. at store fronts
Subcontracted technical support:	subcontracting of multimedia related work
Subcontracted office support:	subcontracting of light office work
Subcontracted event operation:	subcontracting of facilities installation/removal work at event sites
Others:	Subcontracted work other than the aforementioned

4. Revenue figures above are unaudited.

#### (Reference) Overview of Revenues through the 3<sup>rd</sup> Quarter (Stand-alone) (Cumulative)

(Unit: '000 Yen; rounded down to nearest '000 Yen)

Items \ Period		3Q FYE June 2004 (From July 1, 2003 To March 31, 2004)	3Q FYE June 2003 (From July 1, 2002 To March 31, 2003)	% Increase/ Decrease
Sub-contracting Business	Casting	28,629,112	23,360,315	22.6%
	Construction	3,861,999	1,181,455	226.9%
	Sales promotion	1,921,523	1,026,842	87.1%
	Technical support	1,109,420	538,084	106.2%
	Office support	698,790	299,775	133.1%
	Events	1,059,710	487,059	117.6%
	Others	605,372	77,769	678.4%
Total		37,885,928	26,971,303	40.5%

## 5. Statement of Income for the 3<sup>rd</sup> Quarter (Stand-alone basis)

(Unit: '000 Yen; rounded down to nearest '000 Yen)

Items	3Q FYE June 2004 (From January 1, 2004 To March 31, 2004) (A)		3Q FYE June 2003 (From January 1, 2003 To March 31, 2003) (B)		YoY Increase/Decrease	
	Amount	% Total	Amount	% Total	Amount (A) - (B)	% Total
Revenues	13,563,526	100.0	9,680,488	100.0	3,883,038	40.1
Cost of goods sold	8,836,746	65.2	6,340,417	65.5	2,496,329	39.4
Gross profit	4,726,779	34.8	3,340,071	34.5	1,386,708	41.5
Selling, general and administrative expenses	3,844,267	28.3	2,168,386	22.5	1,675,881	77.3
Operating income	882,512	6.5	1,171,684	12.0	(289,172)	(24.7)
Non-operating income						
Interest income	4,559	0.0	2,547	0.0	2,012	79.0
Others	24,316	0.2	11,163	0.1	13,153	117.8
Non-operating expenses						
Discount rate on interest paid	75,143	0.5	31,823	0.3	43,320	136.1
Others	39,813	0.3	1,283	0.0	38,530	3,003.1
Ordinary income	796,431	5.9	1,152,287	11.9	(355,856)	(30.9)

(Note)

1. The above statement of income does not include items below special income and losses.
2. Figures in the "YoY Increase/Decrease" column are calculated based on the following equation.  

$$\% \text{ Increase/Decrease} = \frac{\text{Results of the current 3Q} - (B) \text{ Results of the previous 3Q}}{(B) \text{ Results of the previous 3Q}} \times 100$$
3. The figures above are unaudited.

**(Reference) Statement of Income through the 3<sup>rd</sup> Quarter (Stand-alone basis) (Cumulative)**

(Unit: '000 Yen; rounded down to nearest '000 Yen)

Items	3Q FYE June 2004 (From July 1, 2003 To March 31, 2004) (A)		3Q FYE June 2003 (From July 1, 2002 To March 31, 2003) (B)		YoY Increase/Decrease	
	Amount	% Total	Amount	% Total	Amount (A) - (B)	% Total
Revenues	37,885,928	100.0	26,971,303	100.0	10,914,625	40.5
Cost of goods sold	24,740,849	3.1	17,939,630	6.7	6,801,219	37.9
Gross profit	13,145,078	96.9	9,031,672	93.3	4,113,406	45.5
Selling, general and administrative expenses	9,728,106	71.7	5,913,561	61.2	3,814,545	64.5
Operating income	3,416,972	25.2	3,118,111	32.1	298,861	9.6
Non-operating income						
Interest income	21,730	0.2	26,734	0.3	(5,004)	(18.7)
Others	156,390	1.2	100,395	1.0	55,995	55.8
Non-operating expenses						
Discount rate on interest paid	168,347	1.2	90,437	0.9	77,910	86.1
Others	110,552	0.8	19,793	0.2	90,759	458.5
Ordinary income	3,316,192	24.4	3,135,010	32.4	181,182	5.8

(Note)

1. The above statement of income does not include items below special income and losses.
2. Figures in the "YoY Increase/Decrease" column are calculated based on the following equation.  

$$\% \text{ Increase/Decrease} = \frac{\text{Results of the current 3Q} - (B) \text{ Results of the previous 3Q}}{(B) \text{ Results of the previous 3Q}} \times 100$$
3. The figures above are unaudited.

**6. Balance Sheet for the 3<sup>rd</sup> Quarter (Stand-alone basis)**

(Unit: '000 Yen; rounded down to nearest '000 Yen)

Items	3Q FYE June 2004 (As of March 31, 2004)	
	Amount ('000 Yen)	% Total
Current Assets	29,645,548	45.2
Fixed Assets		
Tangible assets	2,624,102	4.0
Intangible assets	215,692	0.3
Investments and other assets	33,173,785	50.5
Total Assets	<u>65,659,127</u>	100.0
Current Liabilities	17,473,535	26.6
Fixed Liabilities	10,827,829	16.5
Total Liabilities	<u>28,301,364</u>	43.1
Total Shareholders' Equity	<u>37,357,763</u>	56.9
Total Liabilities, and Shareholders' Equity	<u>65,659,127</u>	100.0

(Note) 1. The figures above are unaudited.

## 7. Forecast on Financial Results for the Next Consolidated Fiscal Year and Beyond

The financial results for the next consolidated fiscal year and beyond are forecasted as follows.

	Revenue Forecast	Ordinary Income Forecast	Net Income Forecast
	MM Yen	MM Yen	MM Yen
FYE June 2004 (current)	91,000	5,500	2,700
FYE June 2005	120,000	5,500	2,000
FYE June 2006	160,000	8,000	4,000
FYE June 2007	220,000	25,000	12,000

In the next fiscal year and beyond, the Group plans to expand into the new market of care-service equipped senior residences (COMSN Residence) acquiring additional land while also aggressively driving forward the pay nursing home for the elderly (COMSN Home), and therefore projects increases in associated advance investments, interest burdens, and sales promotion expenses. The consolidated adjustment accounts on making COMSN, Inc. a wholly-owned subsidiary of the Company are also to be amortized, and as such, earnings for the next two fiscal years are forecasted to grow only modestly. Meanwhile, from the third fiscal year and beyond, the Group will be fully capitalizing on the initial investments on the aforementioned businesses, and is projecting significant growths both in revenues and earnings. The Group began acquiring land in Tokyo's Shibuya and Setagaya wards, and at the present concluded contracts on seven properties at a total transaction value of approximately 20 billion yen. Facilities are to be opened in two years time. The Group plans to make total investments amounting to approximately 100 billion yen in the next full year.