

Summary of 1st Quarter Operating Results for Fiscal Year Ending June 2005 (Consolidated)

October 27, 2004

Company Name: The Goodwill Group, Inc. (TSE 1 Code: 4723)
(URL: <http://www.goodwill.com>)

Chief Executive: Position: Chief Executive Officer
Name: Masahiro Origuchi

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1. Underlying Assumptions in Preparing Quarterly Operating Result Summary

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

Changes in the scope of consolidation and the application of the equity method: Yes
(Newly consolidated subsidiaries: 5 companies)

2. Summary of 1st Quarter Operating Results for Fiscal Year Ending June 2005 (July 1, 2004 – September 30, 2004)

(1) Operating Results

(Unit: Rounded down to nearest MM Yen)

	Revenue		Operating Profit		Recurring Profit	
	MM Yen	(%)	MM Yen	(%)	MM Yen	(%)
1Q FYE June 2005	31,603	(66.1)	1,520	(21.4)	1,209	(0.3)
1Q FYE June 2004	19,029	(20.5)	1,253	(48.3)	1,204	(38.7)
(Reference) FYE June 2004	93,042	(49.4)	5,974	(20.2)	5,539	(15.1)

(Note) The percentages indicate increase/decrease from the same quarter of the previous fiscal year.

[Supplementary comments concerning the operating results]

The Japanese macroeconomic trends have shown signs of improvement over the last quarter with the increase in exports/capital expenditure, improvement in employment and the stable growth in personal consumptions.

Under these circumstances, The Goodwill Group has decided to reorganize its group structure by transforming itself into a pure holding company as of August 1, 2004 in an aim of achieving its objective to improve the speed of decision-making and to enhance the execution of

group management. As for the changes in overall group, in order to best utilize its vast arrays of human resources within the group, the company has transferred both the human resource business of Goodwill Career, Inc. and driver dispatching business of Soar, Inc. to its subsidiary Goodwill, Inc., and has also merged Goodwill, Inc. with 3 subsidiaries (Toohoo Adrise Co., Ltd., N and S Planning Co., Ltd. and Kyodo Engineering Co., Ltd.) to integrate its business outsourcing service lineups. Along the same line, the employee counseling program (EAP) business of Goodwill Career, Inc. has been transferred to Goodwill Foresight, Inc. (a newly established company) through a corporate spin-off. In July 2004, the company acquired Hu-Management Japan through a tender offer and subsequently turned it into its consolidated subsidiary to improve its ability to respond to changing client needs and to further enhance synergies with existing business lines.

With regards to respective business segments, the business outsourcing services, led mainly by Goodwill, Inc., has continued to rapidly expand its reach through the opening of new offices as evidenced by the launch of 128 new locations this quarter. The company has strived to secure qualified staffs for the business, which at the end of this quarter amounted to 1.49 million. The company has newly established a business development group to further accelerate its efforts to develop new business. The nursing care/medical support business performed well during the quarter, with 42 new locations opened this quarter with a net increase of 3,420 customers. The facility nursing care business, which is led by the group home business, has also continued to perform well throughout the quarter, with 6 new facilities added this quarter and all 3 existing paid nursing homes operated substantially at their full capacity. With regards to the human resource-related businesses, the driver dispatching business continued to perform well and the employee counseling program (EAP) business grew solid.

As a result, consolidated revenue for the quarter has increased year-on-year by 12,574 million yen to 31,603 million yen, operating profit increased year-on-year by 267 million yen to 1,520 million yen and recurring profit increased year-on-year by 4 million yen to 1,209 million yen.

(2) Events that have had significant effects on the financial conditions and operating results of the corporate group

In July 2004, the company acquired 50.3% interests in Hu-Management Japan through a tender offer and turned it into a consolidated subsidiary. For this reason, the balance sheet and the income statement of Hu-Management Japan have been included in the 1st quarter consolidated financial statements of the company.

3. Consolidated Financial Forecast for Fiscal Year Ending June 2005 (July 1, 2004 – June 30, 2005)

	Revenue Forecast	Operating Profit Forecast	Recurring Profit Forecast	Earnings Per Share Forecast	
	(MM Yen)	(MM Yen)	(MM Yen)	(Yen)	(Sen)
Interim Term	55,000	2,500	1,200	1,886	78
Fiscal Year	130,000	6,000	2,800	4,402	48

[Qualitative information concerning the financial forecast]

No changes have been made to the forecast announced on August 30, 2004.

(Reference)

1. Breakdown of the Consolidated Revenues for the Quarter

(Unit: 000 Yen, Rounded down to nearest 000 Yen)

Items		Period	1Q FYE June 2005	1Q FYE June 2004	% Increase / Decrease
			From: Jul. 1, 2004 To: Sep. 30, 2004	From: Jul. 1, 2003 To: Sep. 30, 2003	
Business Segments	Business Outsourcing		17,655,759	10,787,585	63.7%
	Human Resource-Related		2,076,631	481,403	331.4%
	Nursing Care/Medical Support		11,870,757	7,760,121	53.0%
	Total		31,603,148	19,029,110	66.1%

(Notes)

1. The above figures do not include consumption taxes.
2. Because the company's business operations involve varying number of employees and have different durations, numerical figures are omitted from the above due to entailing difficulties.
3. The above segmentation is in accordance with the segmentation used for internal control purposes. The above figures are after the elimination of inter-segment sales and transfers.
4. Segmentation:
 - Business Outsourcing ... light labor outsourcing (Goodwill, Inc. and Soar Co., Ltd.), in-premise labor outsourcing (Goodwill, Inc., Kyodo Engineering Co., Ltd., Toohoo Advise Co., Ltd. and N and S Planning Co., Ltd.)
 - Human Resource-Related ...Employee counseling program (EAP) (Goodwill Career, Inc. and Goodwill Foresight, Inc.), recruiting support (Goodwill Career, Inc.), driver dispatching business (Goodwill, Inc. and Soar Co., Ltd.), engineer dispatching business (Goodwill Engineering, Inc.), new career development (Hu-Management Japan), elderly staff dispatching business (Hu-Management Japan)
 - Nursing Care/Medical Support ... nursing at home, nursing at facilities, visiting dental treatment support (COMSN Co., Ltd.), outsourcing of administrative work related to the dispatching of chiropractors (Chiropractor Administrative Outsourcing Co., Ltd.), pet care (ADHOC CO.,LTD., operation of day care center (COTY Co.,Ltd.)
5. All figures above are unaudited.

2. Consolidated Income Statement for the 1st Quarter

(Unit: 000 Yen, Rounded down to nearest 000 Yen)

Items	Term	1Q FYE June 2005		1Q FYE June 2004		Increase/Decrease	
		From: Jul. 1, 2004 To: Sep. 30, 2004		From: Jul. 1, 2003 To: Sep. 30, 2003		Year-on-Year Basis	
		Amount	% Total	Amount	% Total	Amount	% Inc/Dec
Revenue		31,603,148	100.0%	19,029,110	100.0%	12,574,037	66.0%
Cost of Goods Sold		21,156,014	67.0%	12,579,854	66.2%	8,576,160	68.1%
(Gross Profit)		10,447,134	33.0%	6,449,256	33.8%	3,997,877	61.9%
SG & A Costs		8,926,228	28.2%	5,196,175	27.3%	3,730,053	71.7%
(Of which is amortization of consolidated adjustments)		(431,352)	(1.4%)	(96,242)	(0.5%)	(335,110)	(348.1%)
(Operating Profit)		1,520,905	4.8%	1,253,080	6.5%	267,824	21.3%
Non-Operating Profit							
Interest Income		2	0.0%	1,119	0.0%	1,117	99.7%
Other		62,629	0.1%	22,339	0.1%	40,290	180.3%
Non-Operating Expenses							
Discount Rate on Interest Paid		260,591	0.8%	71,130	0.3%	189,460	266.3%
Other		113,942	0.3%	499	0.0%	113,443	22734.7%
(Recurring Profit)		1,209,003	3.8%	1,204,909	6.3%	4,094	0.3%

(Note)

1. The above income statement does not include the items below extraordinary gains and losses.
2. The Year-on-Year change figures are calculated based on the following.

$$\% \text{ Increase/Decrease} = \frac{\text{(A) Results of the 1Q this year} - \text{(B) Results of the 1Q last year}}{\text{(B) Results of the 1Q last year}} \times 100$$

3. The above figures are unaudited.

3. Consolidated Balance Sheet as at the end of the 1st Quarter

(Unit: 000 Yen, Round down to nearest 000 Yen)

Items	Term	1Q FYE June 2005 From: Jul. 1, 2004 To: Sep. 30, 2004		1Q FYE June 2004 From: Jul. 1, 2003 To: Sep. 30, 2003		Increase/Decrease Year-on-Year Basis	
		Amount	% Total	Amount	% Total	Amount	% Inc/Dec
Current Assets		57,798,950	46.3%	31,291,441	66.0%	26,507,509	84.7%
Fixed Assets							
Fixed tangible assets		27,590,938	22.1%	2,924,590	6.2%	24,666,348	843.4%
Fixed intangible assets		33,321,627	26.7%	9,051,489	19.1%	24,270,138	268.1%
Investments and other assets		6,046,296	4.8%	4,123,517	8.7%	1,922,779	46.6%
Deferred Assets		-	-	21	0.0%	21	100.0%
Total Assets		124,757,813	100.0%	47,391,059	100.0%	77,366,754	163.2%
Current Liabilities		49,552,628	39.7%	24,074,959	50.8%	25,477,669	105.7%
Fixed Liabilities		33,898,052	27.1%	4,994,083	10.5%	28,903,969	578.7%
Total Liabilities		83,450,680	66.8%	29,069,043	61.3%	54,381,637	187.0%
Minority Interest		1,827,895	1.4%	485,228	1.0%	1,342,667	276.6%
Total Shareholders' Equity		39,479,237	31.6%	17,836,786	37.6%	21,642,451	121.3%
Total Liabilities/Minority Interest/ Shareholders' Equity		124,757,813	100.0%	47,391,058	100.0%	77,366,756	163.2%

(Note)

1. The above figures are unaudited.
2. The Year-on-Year change figures are calculated based on the following.

$$\% \text{ Increase/Decrease} = \frac{\text{(A) Results of the 1Q this year} - \text{(B) Results of the 1Q last year}}{\text{(B) Results of the 1Q last year}} \times 100$$

4. Divisional Sales Breakdown for the 1st Quarter

The company has completed a corporate spin-off as of August 1, 2004 to transfer the Business Outsourcing division to the company's subsidiary, Goodwill, Inc., and became a pure holding company. As a result of the transaction, the company had changed its main line of business from the business outsourcing to the management of its group companies. Because the revenue breakdown by products is no longer relevant, revenue breakdown by type of labor performed has been omitted from disclosure herein. Revenue breakdown by type of labor performed for July 2004 (the period in which the business outsourcing was the company's main line of business) is as follows.

(Reference: Revenue breakdown by type of labor performed for July 2004)

(Unit: 000 Yen, Round down to nearest 000 Yen)

Term		1Q FYE June 2005 From: Jul. 1, 2004 To: Sep. 30, 2004
Items		
Business Outsourcing Areas	Casting	4,077,266
	Construction	271,798
	Sales Promotion	262,599
	Technical Support	159,234
	Office Support	126,445
	Event	142,589
	Others	482,944
	Total	5,522,876

(Note)

1. The above figures do not include consumption taxes.
2. Because the company's business operations involve varying number of employees and have different durations, numerical figures are omitted from the above due to entailing difficulties.
3. Product breakdown
 Business Outsourcing/Casting ... Outsourcing of general light labor
 Business Outsourcing/Construction... Outsourcing of construction and interior work-related labor
 Business Outsourcing/Sales Promotion ... Outsourcing of in-store sales promotion works
 Business Outsourcing/Technical Support ... Outsourcing of multimedia-related works

Business Outsourcing/Office Support ... Light labor works in the office
Business Outsourcing/Event ... Event premise set up and removal works
Business Outsourcing/Others ... Other outsourced labor

4. Revenue figures are unaudited.

5. 1st Quarter Income Statement and Balance Sheet for on a Stand-alone Basis

As described in “4. Divisional Sales Breakdown for the 1st Quarter”, the company has undertaken a corporate spin-off as of August 1, 2004 to become a pure holding company. The transaction has no material effects on the group’s financial conditions and management. With respect to the financial conditions and operating results of the company on a stand-alone basis, only figures for this quarter are disclosed hereunder due to the lack of continuity from the previous period.

(Income Statement)

Items	Term	1Q FYE June 2005 From: Jul. 1, 2004 To: Sep. 30, 2004	
		Amount	% Total
Revenue		5,986,148	100.0%
Cost of Goods Sold		3,642,291	60.9%
(Gross Profit)		2,343,857	39.1%
SG & A Costs		1,893,068	31.6%
(Operating Profit)		450,788	7.5%
Non-Operating Profit			
Interest Received		13,171	0.2%
Other		52,861	0.8%
Non-Operating Expenses			
Discount Rate on Interest Paid		222,513	3.7%
Other		59,995	1.0%
(Recurring Profit)		234,312	3.9%

(Balance Sheet)

Items	Term	1Q FYE June 2005 From: Jul. 1, 2004 To: Sep. 30, 2004	
		Amount	% Total
Current Assets		20,647,482	21.2%
Fixed Assets			
Fixed tangible assets		24,906,749	25.6%
Fixed intangible assets		6,456	0.0%
Investments and other assets		51,553,071	53.0%
Deferred Assets		-	-
Total Assets		97,113,760	100.0%
Current Liabilities		26,109,208	26.8%
Fixed Liabilities		33,563,311	34.5%
Total Liabilities		59,672,519	61.4%
Total Shareholders' Equity		37,441,240	38.5%
Total Liabilities/Shareholders' Equity		97,113,759	100.0%

(Note)

1. The above income statement does not include the items below extraordinary gains and losses.
2. The Year-on-Year change figures are calculated based on the following.

$$\% \text{ Increase/Decrease} = \frac{\text{(A) Results of the 1Q this year} - \text{(B) Results of the 1Q last year}}{\text{(B) Results of the 1Q last year}} \times 100$$

3. The above figures are unaudited.