

Business Report

For the 8th Year of Operation

(July 1, 2001 to June 30, 2002)

The Goodwill Group, Inc.

Report on Operations

(From July 1, 2001 to June 30, 2002)

1. Overview of the Operations

(1) Business Progress and Results

The Japanese economy appeared to have bottomed out toward the end of the current fiscal year owing to the recovery of U.S. economy, the subsequent increase in exports, and the progress seen in inventory management. However, from the perspective of the entire fiscal term, the economic environment remained severe due to the worsening performances on the part of domestic corporations, restraints on capital investments, acceleration of restructuring activities, deteriorating employment situations and progressively falling consumer spending.

In the light labor subcontracting market where The Goodwill Group, Inc. belongs, while signs of recovery were observed toward the term-end, on the whole, profitability was difficult to achieve given the emergence of fierce competition in the industry as customer demands declined on falling corporate revenues.

Under such economic environment, the Company strove to respond to the corporate customer and industry needs to “secure manpower whenever, wherever, and however many persons necessary”, through such means as enhancing the service speed and convenience, and improving both the quantitative and qualitative aspects of subcontracting capabilities, upholding the principle of effective “outsourcing”. Accordingly, the Company expanded its service locations to 153 stores at the beginning of the fiscal year, creating a service network covering all 47 prefectures, and established an operational structure capable of generating stable revenues throughout the year.

As a result of the merger with Line-Up Co., Ltd. on January 1, 2002, the number of service locations at term-end increased to 193 stores, and the Company was able to enhance its presence in the interior finishing and event related service areas where its market shares were historically low. The merger also enabled the Company to provide more comprehensive services, and to realize synergies in terms of reducing indirect costs while leaving the operational capabilities intact by strategically consolidating the branches of the two companies and by integrating the administrative functions.

Furthermore, the Company was able to establish a more stable business platform and a better profit structure by repositioning the existing business resources (creation of customer center) so that the number of dedicated sales staff could be increased to reinforce sales, and also by reducing general administrative expenses at the branch levels.

Additionally, during the current fiscal year, the Company made an effort to uncover client needs using the customer center introduced in the previous term and to thereby improve service qualities. As a result, in addition to the subcontracting of traditional light labor, demands in the areas of multimedia-related subcontracting, sales support, market research, and office data input support have also increased. Moreover, driven by the strong outsourcing demands for moves, for the busy month of March 2002, the Company posted 3,357 million yen (monthly basis) in revenues; an all-time record since the Company's incorporation. In June 2002, the Company obtained ISO (International Organization for

standardization) certification for all CAS (casting) branches which specialize in light labor subcontracting in an effort to continuously ensure high quality servicing across the board.

In terms of measures for the registered staff, the Company continued to pursue efficient hiring through effective use of recruitment call center and “Mobaito.com”, a cellular phone website, and maintained a recruiting environment which allowed the Company to hire high-level staff in quantity.

As a result of the above, the Company posted 25,664 million yen in revenues (YoY increase by 22.1%) and 2,773 million yen in ordinary income (YoY increase by 2.6%) for the fiscal year in review. Net income, which included impairment losses associated with investment securities, stood at 1,403 million yen (YoY decrease by 10.5%).

(2) Capital Investments

Capital investments for the current fiscal term, which amounted to a total of 372 million yen, were primarily used for the purpose of business reinforcement such as funding new store launches and implementing technology-related enhancements in computers and other devices so as to keep in pace with advancements in the age of information technology.

(3) Financing

The funds used for capital investments, etc. for the current fiscal year were self-financed by the Company. During the subject term, the Company did not conduct such financing activities such as capital increase or bond issuances.

(4) Missions to be Pursued

While the domestic economy appears to have bottomed out, the job environment continues to be difficult, and as such, employment styles are projected to undergo various modifications at a more accelerated pace going forward. As for the light labor subcontracting industry where the Company belongs, the overall industry is perceived to grow progressively as it serves as a receptacle of surplus resources in an increasingly mobile job market. Under such conditions, the Company acknowledges the following items as its important missions and will continue to pursue them in an effort to firmly establish itself as a leading company in the field of “total human resource services”.

The mission to ultimately maximize shareholder value by consistently raising corporate value. This task will be accomplished by means of enrooting high profitability structure at all Group companies including the subsidiaries through embracing the company credo of “Unyielding Startup Spirit”, of establishing a well balanced business foundation, and of expanding profitability through stable business growth.

The company philosophy comprises of the concepts of “expansion and development”, “social contribution”, and “self realization”, and the Company firmly believes that in a capitalistic society, enlarged reproduction is the source of corporate growth. As such, the Company will make full use of the economy of scale under the concept of “expansion and development”, exert greater influence, bear “social contribution” as an important responsibility, and push forward its business operations for the purpose of assisting the employees, the business counterparts, and ultimately the investors to achieve “self realization”.

The Company is determined to expend all its energies toward the realization of

aforementioned missions. Furthermore, the Group as a whole intends to contribute to the maximization of corporate value by tackling the challenges of synergy enhancement and reinforcement of management structures among other items, focusing on efficient distribution of business resources and through practicing decision-making that is more agile and flexible.

The Company requests the shareholders for further understanding and support going forward.

(5) Changes in Operating Results and the State of Assets

Item	5 th Year of Operation FYE June 1999	6 th Year of Operation FYE June 2000	7 th Year of Operation FYE June 2001	8 th Year of Operation (Current Term) FYE June 2002
Revenues (‘000 Yen)	7,648,313	12,422,071	21,004,224	25,664,531
Ordinary income (‘000 Yen)	796,105	1,386,842	2,701,308	2,773,881
Net income (‘000 Yen)	354,828	694,208	1,568,904	1,403,290
EPS (Yen)	108,179.27	4,142.97	8,900.67	7,655.70
Total assets (‘000 Yen)	4,558,619	37,833,652	39,500,510	42,716,590
Net assets (‘000 Yen)	889,437	30,140,236	31,546,939	33,760,689

(Note)

1. “EPS” figures are calculated based on the number of average total outstanding shares during the term. Beginning with the current fiscal year, the number of average total outstanding shares is derived after deduction of treasury stocks.
2. Revenue increase during the 6th and 7th years of operation is due to the increase in service locations.
3. Revenue increase during the 8th year of operation is primarily due to the increase in service locations in the earlier part of the term.
4. Increase in total and net assets in the 6th year of operation is due to capital increase.
5. Increase in total and net assets in the 8th year of operation results from the share exchange with Line-Up Co., Ltd.

2 . Company Overview (as of June 30, 2002)

(1) Principal Business

The primary line of business of The Goodwill Group, Inc. is general subcontracting of labor including (1) sorting, packaging and delivery of goods, (2) preparation of parties, conferences and events along with planning/management of various ceremonies, (3) and overall security and patrol work among other items.

(2) Principal Offices

- 1) Headquarters: 3 - 2 - 3, Marunouchi, Chiyoda-ku, Tokyo
Roppongi HQs: 4-8-7, Roppongi, Minato-ku, Tokyo

- 2) Branches: 193 branch offices

Regions	Number of branches
Northern Japan Dept.	Sendai Branch and 13 others
Northern Kanto Dept.	Utsunomiya Branch and 6 others
Saikyo Area Dept.	Omiya Branch and 10 others
Keiyo Area Dept.	Funabashi Branch and 12 others
West Tokyo Dept.	Shinjuku Branch and 11 others
Kanagawa Dept.	Yokohama Branch and 11 others
Hokuriku/Joshinetsu Dept.	Niigata Branch and 8 others
Shizuoka/Mikawa Dept.	Shizuoka Branch and 7 others
Tokai Dept.	Nagoya Branch and 9 others
Kansai Dept.	Umeda Branch and 18 others
Chugoku/Shikoku Dept.	Hiroshima Branch and 12 others
Kyushu Dept.	Fukuoka Branch and 12 others
LU Tohoku Dept.	LU Morioka Branch and 5 others
LU Northern Kanto/Joshinetsu Dept.	LU Takasaki Branch and 5 others
LU Tokyo Metropolitan Dept.	LU Yokohama Branch and 11 others
LU West Japan Dept.	LU Osaka Branch and 2 others
Construction Business Dept.	Branch No. 1 and 3 others
Office Business Dept.	Branch No. 1 and 1 other
Event Business Dept.	Branch No. 1 and 3 others
Office Support Business Dept.	OS Aoyama Branch and 1 other
Sales Promotion Business Dept.	SP Shibuya Branch and 7 others
Technical Support Business Dept.	TS Shinjuku Branch and 4 others

(3) Overview of Stocks

- | | |
|---|----------------|
| 1) Total number of shares authorized to be issued | 700,000 shares |
| 2) Total number of issued and outstanding shares | 184,768 shares |
| 3) Number of shareholders | 11,961 |
| 4) Major shareholders | |

Name of Shareholder	Investment in The Goodwill Group, Inc.		Investment from The Goodwill Group, Inc.	
	No. of shares owned	% owned	No. of shares owned	% owned
Origuchi Soken, Ltd.	28,080	15.19		
Esfront, Ltd.	21,267	11.51		
Masahiro Origuchi	10,720	5.80		
Koshiro Onishi	8,162	4.41		
The Chase Manhattan Bank NA London	7,148	3.86		
Hikari Tsushin, Inc.	6,000	3.24	31,161.9	0.06
Trust & Custody Services Bank, Ltd.	5,190	2.80		
HVB Banque (Luxembourg) S.A.	4,747	2.56		
The Nomura Trust & Banking Co., Ltd. (shares held in trust)	4,297	2.32		
Nippon Life Insurance Company (special pension account)	3,042	1.64		

5) Acquisition, disposal and ownership of treasury stocks

1. Shares acquired

Acquisition on purchase of fractional shares

Common stocks	1.56 shares
Total acquisition value	532,892 yen

2. Treasury stocks owned at fiscal closing

Common stocks	1.56 shares
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(4) Overview of Employees

	Number of Employees	Year-on-Year Increase/Decrease	Average Age	Average Years of Service
Male	549	Increase by 108	29.7	2.5
Female	87	Increase by 20	27.6	1.8
Total/Average	636	Increase by 128	29.5	2.1

(Note) 1. The above list does not include temporary employees and employees transferred to another entity.

2. The year-on-year increase of 128 employees is primarily due to the merger with Line-Up Co., Ltd.

(5) Overview of Consolidation

1) Overview of significant subsidiaries

Name of Company	Paid-in Capital ('000 Yen)	% Owned	Principal Businesses
Goodwill Career, Inc.	492,000	90.00	EAP/Human resource support services
COMSN, Inc.	14,057,350	78.42	Nursing care services
Soar, Inc.	30,000	100.00	Planning, preparation and management of events, etc.

(Note)

1. The Company sold all shares of Goodwill Communications, Inc. and GW Capital, Inc. on July 2, 2001 and April 1, 2002 respectively, and as such, these entities are no longer significant subsidiaries.
2. Goodwill Foresight, Inc. merged with Goodwill Career, Inc. on July 1, 2001, and therefore, is no longer a significant subsidiary of the Company.
3. While Line-Up Co., Ltd. became a significant subsidiary as a result of the share exchange conducted on September 1, 2001, the entity was subsequently merged with the Company (the Company being the surviving entity) on January 1, 2002.

2) Progress of consolidation

Of the three significant subsidiaries listed above, Soar, Inc. has conducted capital increase during the fiscal year in review.

Name of company	Investment from the Company ('000 Yen)	Remarks
Soar, Inc.	30,000 (30,000)	Total capital increase ('000 Yen) 20,000 (20,000)

Note: Figures in parentheses indicate the portions that have been capitalized.

3) Results of consolidation

The combined total revenues of the three subsidiaries as of the fiscal year-end amounted to 18,272.507 million yen, and total net income stood at 709.384 million yen.

(6) Principal Lenders

Lenders	Borrowings Balance ('000 Yen)	Company's Shares Owned by the Lenders	
		Shares owned	% owned
Mizuho Bank, Ltd.	2,912,720		
UFJ Bank Limited	1,068,700		
Sumitomo Mitsui Banking Corp.	647,500		
Daiwa Bank, Ltd.	420,000		
Aozora Bank, Ltd.	450,000		
The Chuo Mitsui Trust & Banking Co., Ltd.	800,000		

(7) Directors and Auditors

Title	Name	Primary Responsibilities/Professions
Representative Director and Chairman	Masahiro Origuchi	Chairman and CEO
Representative Director and President	Shinichiro Kawakami	President and COO
Managing Director	Akifumi Jinno	General Manager of Business Operations HQ
Managing Director	Akitoshi Yamazaki	
Director	Akira Kanazaki	General Manager of Administration, Head of Chairman's Office, and CFO
Director and Advisor	Koshiro Onishi	
Auditor (Statutory)	Tadashi Minobe	
Auditor	Nariaki Ishii	Attorney
Auditor	Yasuhiko Tanaka	Attorney
Auditor	Takao Sugino	

(Note)

1. Auditors Nariaki Ishii, Yasuhiko Tanaka, and Takao Sugino are external auditors as defined by Article 18 Clause 1 of "Law for Special Provisions for Commercial Code Concerning Audits, etc. of Corporations".
2. Director Takuma Nakatsuka retired from office as of the closing of the Company's ordinary general shareholders meeting for the 7th year of operation held on September 27, 2001.
3. Koshiro Onishi was selected Director at the Company's ordinary general shareholders meeting for the 7th year of operation held on September 27, 2001 and subsequently assumed office.
4. Takao Sugino was selected Auditor at the Company's ordinary general shareholders meeting for the 7th year of operation held on September 27, 2001 and subsequently assumed office.
5. Director Akira Kanazaki was promoted to Managing Director as of July 1, 2002.
6. Managing Director Akitoshi Yamazaki retired from office as of July 31, 2002.

3. Significant Subsequent Events

No items to note.

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 (Note) Monetary figures indicated in the subject "Report on Operations" are rounded down to the nearest corresponding units.

Balance Sheet

(as of June 30, 2002)

(Unit: '000 Yen)

Assets		Liabilities	
Items	Amount	Items	Amount
Current Assets	11,490,686	Current Liabilities	8,779,614
Cash and deposits	6,118,226	Short-term borrowings	6,409,400
Notes receivable	274,157	Current portion of long-term borrowings	244,000
Accounts receivable	3,676,267	Accounts payable	23,865
Prepaid expenses	158,074	Accrued income taxes	640,946
Deferred tax assets	150,022	Accrued consumption taxes	355,266
Accrued revenues	748,905	Accrued expenses	948,174
Other current assets	396,358	Other current liabilities	157,961
Allowance for doubtful accounts	(31,325)		
Fixed Assets	31,225,903	Fixed Liabilities	176,286
Tangible assets	1,082,200	Long-term borrowings	125,570
Buildings	302,690	Employees' retirement benefits	25,003
Cars and transport vehicles	28,473	Directors' retirement benefits	21,083
Furniture and fixtures	419,836	Other fixed liabilities	4,630
Land	331,200		
Intangible assets	316,559	Total Liabilities	8,955,901
Trade mark rights	8,251	Shareholders' Equity	
Telephone subscription rights	47,165	Paid-in Capital	13,674,660
Software	261,141	Legal Reserve	16,393,096
		Capital reserve	16,345,269
		Earned reserve	47,826
Investments and other assets	29,827,143	Surplus	3,705,415
Investment securities	1,535,930	Reserve for special depreciation	964
Subsidiary shares	25,631,727	Unappropriated retained earnings for the current fiscal year	3,704,450
Long-term loans	2,052,054	[of which net income]	[1,403,290]
Long-term prepaid expenses	34,460	Net unrealized holding loss on securities	(11,953)
Rent guarantee	283,690	Treasury stocks	(529)
Deferred tax assets	81,813		
Other investments	355,740	Total Shareholders' Equity	33,760,689
Allowance for doubtful accounts	(148,273)		
Total assets	42,716,590	Total Liabilities and Shareholders' Equity	42,716,590

Statement of Income

(from July 1, 2001 to June 30, 2002)

(Unit: '000 Yen)

Items	Amount	
(Ordinary Income/Losses)		
Operating Income/Losses		
Operating Income		
Revenues		25,664,531
Operating Expenses		
Cost of goods sold	16,745,351	
Selling, general and administrative expenses	6,113,385	22,858,737
Operating Income		2,805,794
Non-Operating Income/Losses		
Non-Operating Income		
Interest/dividend income	85,377	
Other non-operating income	35,122	120,499
Non-Operating Expenses		
Interest expenses	92,811	
Other non-operating expenses	59,600	152,412
Ordinary Income		2,773,881
(Special Income/Losses)		
Special losses		
Net unrealized holding loss on investment securities	85,871	
Loss on sale of subsidiary shares	17,799	
Loss on disposal of fixed assets	37,982	
Loss on sale of fixed assets	2,425	
Loss on cancellation of lease agreements	27,107	
Loss on debt waiver	8,497	179,683
		2,594,198
Income before income taxes		
Income, residence and enterprise taxes	1,230,000	
Adjustments on income taxes	(39,092)	1,190,907
Net income		1,403,290
Unappropriated retained earnings brought forward		2,347,351
Interim dividends		46,191
Unappropriated retained earnings for the current fiscal year		3,704,450

1. Important Accounting Principles

(1) Standard and method for valuation of marketable securities

Subsidiary shares Stated as cost using moving average.

Other marketable securities

- Those that have fair market values: Marked-to-market at the end of fiscal period (unrealized gains and losses from the reevaluation are directly charged or credited to the shareholders' equity, and the book value of securities sold is calculated by using moving average.)
- Those that have no fair market value: Stated as cost using moving average

(2) Depreciation method of fixed assets

Tangible fixed assets Declining balance method. (Straight line method applied to buildings acquired after April 1, 1998 (excluding building attachments))

With regard to useful life and residual value, the same basis as that of the method set forth by the Corporation Tax Law is applied.

However, assets with acquisition costs over 100,000 yen and below 200,000 yen are depreciated uniformly over a three year period.

Intangible fixed assets Straight line method.

With regard to useful life, the same basis as that of the method set forth by the Corporation Tax Law is applied.

However, software (for internal use) is amortized by straight line method over the expected available periods (5 years).

Long-term prepaid expenses

Straight line method.

The same basis as that of the method set forth by the Corporation Tax Law is applied.

(3) Accounting for significant allowances

Allowance for doubtful accounts

To reserve for potential credit losses on receivables, allowances are provided for potential losses on general credits by estimating uncollectible amounts using historical rates. For potential losses on specific problematic credits such as doubtful accounts and bad loans, allowances are provided for by estimating uncollectible amounts through the assessment of individual collectibility.

Allowance for retirement benefits

To provide for the employees' retirement benefits, reserve for retirement benefits is recorded based on the projected retirement benefit obligations up to the end of current fiscal year.

Allowance for retirement benefits for directors and auditors

To provide for the payment of retirement benefits for fulltime directors and auditors, reserve for such benefits are recorded, as per the Company's internal regulations, on the basis of actual amount needed up to the end of current fiscal yearend. The subject allowance is stipulated in Article 287-2 of the Commercial Code.

(4) Treatment of lease transactions

With respect to the financial lease transactions that do not involve the transfer of ownership of the leased assets to the lessee, such transactions are treated in accordance with the accounting method applied to ordinary lease transactions.

(5) Accounting treatment of consumption tax

Taxes are excluded in the accounting treatment of consumption and local consumption taxes.

2. Notes on the Balance Sheet

- (1) The figures are rounded down to the nearest '000 Yen.
- (2) Monetary claims and obligations to subsidiaries ('000 Yen)
- | | |
|---------------------------------|-----------|
| Short-term monetary claims | 25,467 |
| Long-term monetary claims | 1,275,100 |
| Short term monetary obligations | 28,862 |
- (3) Total accumulated depreciation on tangible fixed assets ('000 Yen)
- 749,801
- (4) In addition to the fixed assets listed in the balance sheet, certain computers and peripheral devices are procured through leasehold agreements.
- (5) Collateralized assets ('000 Yen)
- | | |
|---------------|-----------|
| Time deposits | 1,274,800 |
| Land | 91,299 |
- (6) Debt Guarantee ('000 Yen)
- | | |
|----------------|-----------|
| Debt Guarantee | 1,000,000 |
|----------------|-----------|
- An additional 885,640,000 yen commitment on potential debt guarantee.

- (7) Preemptive rights under provision of former Commercial Code Article 280-19 Clause 1 are as follows.

Date of Special Resolution at Shareholders Meeting	Remaining Number of Shares to be Issued	Issue Price	Capitalization	Scheduled Issue Period
September 29, 1999	4,000 shares	3,669,262 Yen	1,834,631 Yen	From October 1, 2001 to Sept. 30, 2003

- (8) Earnings per share (Yen)
- 7,655.70
- (9) Notes maturing at the end of the current fiscal year are settled on the note clearance dates. As the ending date of the current fiscal period fell on a bank holiday, the following matured notes were included in the current term ending balance.
- | | |
|-----------------------------|--------|
| Notes receivable ('000 Yen) | 20,804 |
|-----------------------------|--------|

3. Notes on the Statement of Income

- (1) The figures are rounded down to the nearest '000 Yen.
- (2) Transactions with subsidiaries ('000 Yen)
- | | |
|--|---------|
| Revenues | 78,303 |
| Amount of purchase | 75,618 |
| Selling, general and administrative expenses | 124,014 |
| Non-operating transactions | 22,968 |

Appropriation of Retained Earnings

(Unit: Yen)

Items	Amount
Unappropriated retained earnings for the term	3,704,450,767
<i>are to be appropriated as follows:</i>	
Dividend (750 yen per share)	138,574,830
Directors' and auditors' bonuses [of which bonuses for auditors]	30,000,000 [1,000,000]
Earnings carried forward	3,535,875,937

(Note) The Company conducted an interim dividend payment amounting to 46,191,895 yen (250 yen per share) on March 14, 2002.

INFORMATION FOR SHAREHOLDERS

End of Fiscal Year:	June 30
Ordinary General Shareholders Meeting:	End of September
Reference Date:	June 30
	In addition to the above, dates announced in advance and as necessary
Transfer Agent:	The Chuo Mitsui Trust and Banking Co., Ltd. 3-33-1, Shiba, Minato-ku, Tokyo
Places Where Transfer Services Are Performed:	The Chuo Mitsui Trust and Banking Co., Ltd. Custody Service Department 2-8-4, Izumi, Suginami-ku, Tokyo 168-0063 Telephone: 03-3323-7111 (Main)
Places Where Shareholders May Address Transfer-related Matters:	The Chuo Mitsui Trust and Banking Co., Ltd. (branches located throughout Japan) Japan Securities Agents, Ltd. (headquarters and branches located throughout Japan)
Notice:	Forms for address changes, for requesting purchase of fractional shares, for requesting transfers, or for making dividend payment instructions may be obtained by contacting the transfer agent at the toll free number of 0120-87-2031 in service 24 hours a day. Nihon Keizai Shimbun
Announcements Published in: Balance Sheet and Statement of Income May be Viewed at: Registered Securities Dealers Association:	http://www.gwg.co.jp/kessan/index.html
Ticker:	Japan Securities Dealers Association 4723
Auditor:	Chuo Aoyama Audit Corporation 3-2-5, Kasumigaseki, Chiyoda-ku, Tokyo