

(TRANSLATION)



November 10, 2010

## **Condensed Statements of Financial Results for the Six Months Ended September 30, 2010**

Company Name:	NIS GROUP CO., LTD. (URL: <a href="http://www.nisgroup.jp">http://www.nisgroup.jp</a> )
Stock Exchange Listings:	Tokyo Stock Exchange, First Section (Code: 8571)
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Supplementary Presentation of Quarterly Financial Results:	Yes
Quarterly Financial Results Briefing Conference to Be Held:	None
Application of GAAP:	Japanese GAAP

(Note: All amounts in these financial statements are rounded down to the nearest million yen and percentages represent the rates of changes from the respective figures for the corresponding period of the previous year)

## 1. Consolidated Financial Results for the Six Months Ended September 30, 2010

### (1) Consolidated Operating Results

	Six Months Ended September 30,			
	2010		2009	
	Amount	Percentage	Amount	Percentage
	(In millions except percentages)			
Operating revenues	¥ 3,250	(37.4)%	¥ 5,194	(73.8)%
Operating losses	(5,504)	-	(5,003)	-
Ordinary losses	(5,937)	-	(4,993)	-
Net losses	(14,602)	-	(1,363)	-

	Six Months Ended September 30,	
	2010	2009
	(In yen)	
Net losses per share:		
Basic	¥(47.59)	¥(5.69)
Diluted	-	-

Note: Although there existed dilutive shares, diluted net income per share was not presented because of net losses per share.

### (2) Consolidated Financial Position

	September 30, 2010	March 31, 2010
	(In millions except percentages and per share data)	
Total assets	¥47,867	¥72,277
Net assets	270	11,636
Net worth ratio (%)	(15.8)%	4.9%
Net assets per share (in yen)	(15.90)	14.72

Note: Negative net worth was ¥7,553 million as of September 30, 2010 and net worth was ¥3,525 million as of March 31, 2010.

## 2. Dividends

	Year Ended March 31,	
	2010	2011
	(In yen)	
Dividend per share:		
First quarter-end	¥ -	¥ -
Second quarter-end	0.00	0.00
Third quarter-end	-	- (forecast)
Year-end	0.00	0.00 (forecast)
Full-year	¥0.00	¥0.00 (forecast)

Note: No adjustment has been made to dividend forecasts during the six months ended September 30, 2010.

**3. Consolidated Financial Forecasts for the Fiscal Year Ending March 31, 2011**

Note: No adjustment has been made to the financial forecasts during the three months ended September 30, 2010.

The Company is currently consulting with IBJ on the issues including the matter of set-off of mutual credits against debts, and the consolidated financial results will fluctuate depending on the future progress on accomplishing the set-off; therefore, the consolidated financial forecasts for the fiscal year ending March 31, 2011 will be announced as soon as they are determined

**4. Other (see “Other Information” on page 5 of “Additional Material” for details)**

- (1) Changes in Significant Subsidiaries during the Three Months Ended September 30, 2010: None

Note: Changes in the scope of consolidation of specified subsidiaries for the three months ended September 30, 2010.

- (2) Adoption of Simplified Accounting Treatments or Particular Accounting Treatments: Yes

Note: Adoption of simplified accounting treatments or particular accounting treatments for the preparation of quarterly financial statements.

- (3) Changes in Accounting Principles and Procedures, Presentation and Other Items:

- 1) Changes in accordance with the amendment of accounting standards: Yes  
 2) Other changes: None

Note: Changes in accounting principles and procedures, presentation and other Items relating to the preparation of quarterly consolidated financial statements described in “Changes in Significant Items Relating to the Preparation of Quarterly Consolidated Financial Statements.”

- (4) Number of Issued Shares of Common Stock

	September 30, 2010	March 31, 2010
		(Shares)
Number of issued shares	481,188,550	245,894,350
Of which treasury stock	6,290,526	6,290,117
	Six Months Ended September 30,	
	2010	2009
		(Shares)
Weighted-average number of outstanding shares	306,830,833	239,607,419

**(Presentation of Status of Implementation of Quarterly Review Procedures)**

These quarterly condensed statements of financial results are not included in the scope of quarterly review procedures pursuant to the Financial Instruments and Exchange Law. At the time of announcement of these quarterly condensed statements of financial results, the quarterly review procedures pursuant to the Financial Instruments and Exchange Law have not completed yet.

**(Special Note Regarding Forward-looking Statements and Other Notes)**

Forward-looking statements in this document reflect our judgment based on the information available at this time. Various factors could cause actual results to differ materially from any of the forward-looking statements. For an explanation of certain factors affecting these financial forecasts and other related considerations, see “Qualitative Information on Consolidated Financial Forecasts for the Fiscal Year Ending March 31, 2011” on page 4 in the additional material of the quarterly condensed statements of financial results.

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## 1. Qualitative Information on Consolidated Results of Operations for the Six Months Ended September 30, 2010

### (1) Qualitative Information on Consolidated Financial Results

For the six months ended September 30, 2010, Japanese economy has remained severe due to stagnation of employment and income situation, despite a modest recovery reflecting improvement of corporate profitability.

In this business environment, NIS Group Co., Ltd. (the "Company") entered into a basic agreement with Neoline Holdings Co., Ltd. ("Neoline") with regard to a capital and business alliance on June 25, 2010, and the Company issued ¥4,000 million of new shares to Neoline through a third-party allotment in order to reinforce a stable capital base. However, the Company and its consolidated subsidiaries (collectively, the "Group") recorded ¥7,553 million of negative net worth as of September 30, 2010, due to losses in connection with the commencement of civil rehabilitation proceedings by Incubator Bank of Japan, Limited ("IBJ") which was the Group's major lender.

With regard to the financial results for the six months ended September 30, 2010, total operating revenues were ¥3,250 million, a decrease of ¥1,944 million, or 37.4%, compared with the corresponding period of the previous fiscal year. This is mainly attributable to a decrease in interest income from loans receivable due to a decrease in the balance of loans receivable, in addition to revenue from sales of real estate held for the corresponding period of the previous fiscal year, offset by net sales of goods of ¥916 million of Agasta Co., Ltd., which became a consolidated subsidiary during the three months ended September 30, 2009.

Operating losses were ¥5,504 million, compared to ¥5,003 million of operating losses for the corresponding period of the previous fiscal year. This is mainly attributable to provision of loan losses on real estate-backed loans receivable, in addition to impairment losses on real estate held by a consolidated subsidiary.

Ordinary losses were ¥5,937 million, compared to ¥4,993 million of ordinary losses for the corresponding period of the previous fiscal year. This is mainly attributable to ¥740 million of interest expenses incurred as other expenses, offset by gains of ¥320 million on foreign exchange and ¥135 million of interest received incurred as other income.

Net losses were ¥14,602 million, compared to ¥1,363 million of net losses for the corresponding period of the previous fiscal year. This is mainly attributable to provision for loan losses of ¥7,017 million and losses on impairment of ¥2,110 million reflecting the commencement of civil rehabilitation proceedings by IBJ, offset by gains of ¥513 million on sales of investment securities and gains of ¥297 million on reversal of accrued retirement benefits for directors.

Operating results by each segment are described below:

#### i) Integrated Financial Services

In integrated financial services, the Group mainly engage in secured and unsecured lending, and credit guarantee business for small and medium-sized enterprises ("SMEs") in Japan. In addition, taking into account the current business environment, the Group is undertaking constraints on the origination of new loans, and integration and improvement of efficiency in its operations in order to maximize collection of loans receivable.

As a result, operating revenues from integrated financial services for the six months ended September 30, 2010 were ¥1,282 million, and segment losses were ¥1,161 million.

#### ii) Investment Banking and Overseas Trading Business

In the investment banking and overseas trading business, by utilizing its expertise that the Group has cultivated thus far, the Group engages in investment banking, focusing on advisory services on mergers and acquisitions (M&A) and investment and financing, and operation services for investment funds. Also, the Group engages in overseas trading business, focusing on trading support services in order to respond various needs of mid-sized SMEs related to international trading, including development of new customers and suppliers, and negotiation services, as well as consulting services on advancing into overseas markets for domestic and foreign mid-sized SMEs, and export and sale of used cars.

As a result, operating revenues from the investment banking and overseas trading business for the six months ended September 30, 2010 were ¥1,384 million, and segment income was ¥66 million.

iii) Real Estate Business

In the real estate business, the Group attempted to improve the value of assets held as well as its investment efficiency.

As a result, operating revenues from the real estate business for the six months ended September 30, 2010 were ¥387 million, and segment losses were ¥4,114 million.

iv) Other Businesses

In other businesses, the Group engaged in the temporary staffing business and others.

As a result, operating revenues from other businesses for the six months ended September 30, 2010 were ¥195 million, and segment losses were ¥11 million.

In addition, A-Vision Co., Ltd., a former consolidated subsidiary engaging in the temporary staffing business, was excluded from the scope of consolidation as of September 30, 2010 as a result of sales of equity shares.

(2) Qualitative Information on Consolidated Financial Position

i) Assets, Liabilities and Net assets

As of September 30, 2010, total assets were ¥47,867 million, a decrease of ¥24,409 million, or 33.8%, compared with the end of the previous fiscal year. This is mainly attributable to a decrease of ¥2,303 million in cash and deposits, ¥3,898 million in loans receivable, ¥4,628 million in bankrupt and delinquent loans receivable and ¥3,603 million in investment securities, in addition to an increase of ¥6,859 million in allowance for loan losses in total, compared with the end of the previous fiscal year, respectively

As of September 30, 2010, total liabilities were ¥47,596 million, a decrease of ¥13,044 million, or 21.5%, compared with the end of the previous fiscal year. This is mainly attributable to a decrease of ¥10,029 million in total of short-term and long-term interest-bearing debt due to a decrease in operating assets, and ¥1,174 million in reserve for losses on excess interest repayments, compared with the end of the previous fiscal year, respectively.

As of September 30, 2010, net assets were ¥270 million, a decrease of ¥11,365 million, or 97.7%, compared with the end of the previous fiscal year. This is attributable to a decrease of ¥14,602 million in retained earnings because of net losses for the six months ended September 30, 2010 and ¥433 million in unrealized gains on investment securities, offset by an increase of ¥4,000 million in the total of common stock and additional paid-in capital as a result of issuance of new shares to Neoline Holdings Co., Ltd. through a third-party allotment, compared with the end of the previous fiscal year, respectively.

ii) Cash Flows

As of September 30, 2010, cash and cash equivalents ("Cash") were ¥2,964 million, a decrease of ¥1,241 million, compared with the end of the previous fiscal year. The overview of cash flows is as follows:

(Cash Flows from Operating Activities)

Net Cash provided by in operating activities for the six months ended September 30, 2010 was ¥872 million, compared to ¥570 million used for the corresponding period of the previous fiscal year.

Cash provided during the six months ended September 30, 2010 mainly comprised ¥4,055 million provided by net collection of loans receivable, compared to ¥2,253 million provided for the corresponding period of the previous fiscal year, ¥6,860 million in net increase in allowance for loan losses, compared to ¥594 million in net increase for the corresponding period of the previous fiscal year, and ¥4,053 million of losses on impairment of real estate for sale and real estate under construction for sale, compared to ¥370 million for the corresponding period of the previous fiscal year, offset by ¥14,525 million of losses before income taxes and minority interest, compared to ¥1,345 million of losses for the corresponding period of the previous fiscal year.

(Cash Flows from Investing Activities)

Net Cash provided by investing activities for the six months ended September 30, 2010 was ¥1,942 million, compared to ¥1,804 million provided for the corresponding period of the previous fiscal year.

Cash provided during the six months ended September 30, 2010 mainly comprised ¥1,688 million provided by net sales of investment securities, compared to ¥623 million used in net acquisition for the corresponding period of the previous fiscal year.

(Cash Flows from Financing Activities)

Net Cash used in financing activities for the six months ended September 30, 2010 was ¥4,052 million, compared to ¥317 million provided for the corresponding period of the previous fiscal year.

Cash used during the six months ended September 30, 2010 mainly comprised ¥3,982 million provided by proceeds from issuance of new shares, and ¥9,019 million used in net repayments of interest-bearing debt, compared to ¥425 million used for the corresponding period of the previous fiscal year, offset by ¥3,982 million provided by proceeds from issuance of new shares and ¥1,800 million provided by proceeds from withdrawal of restricted cash in banks, compared to ¥204 million provided for the corresponding period of the previous fiscal year.

(3) Qualitative Information on Consolidated Financial Forecasts for the Fiscal Year Ending March 31, 2011

The Company is currently consulting with IBJ on the issues including the matter of set-off of mutual credits against debts, and the consolidated financial results will fluctuate depending on the future progress on accomplishing the set-off; therefore, the consolidated financial forecasts for the fiscal year ending March 31, 2011 will be announced as soon as they are determined.

Certain risks that affect our business results, stock price and financial position are discussed below.

These materials contain forward-looking statements about our industry, our business, our plans and objectives, our financial condition and our results of operations that are based on our current expectations, assumptions, estimates and projections as of the date of filing of this earnings release (“kessan tanshin”) in Japan. These statements discuss future expectations, identify strategies, discuss market trends, contain projections of results of operations or of financial condition, or state other forward-looking information.

Our business results and these forward-looking statements are subject to various risks and uncertainties. Known and unknown risks, uncertainties and other factors could cause our actual results to differ materially from and be worse than those contained in or suggested by any forward-looking statement. We cannot promise that our expectations, projections, anticipated results or other information expressed in or underlying these forward-looking statements will turn out to be correct.

- i) Risks related to the Business Environment
  - (a) Weak economic conditions
  - (b) Misconduct by an employee or director, or negative publicity for our industry or the Group
- ii) Risks related to Laws and Regulations
  - (a) Regulations concerning the loan business
    - i. Regulation concerning interest rates
    - ii. Regulation concerning excessive lending
    - iii. Regulation concerning loan operations
  - (b) Regulations concerning the overseas and trading support business
  - (c) Financial Instruments and Exchange Law
  - (d) Other related regulations
- iii) Business Risks
  - (a) Funding and market interest rates
  - (b) Claims for excess interest repayments
  - (c) Outsourcing of operations
  - (d) Investment banking businesses
  - (e) Condition and liquidity in stock markets
  - (f) Economic trends and liquidity in real estate markets
  - (g) Transfer of receivables
  - (h) Capital and business alliance
  - (i) Equity dilution

## 2. Other Information

### (1) Summary of Changes in Significant Subsidiaries

None

### (2) Summary of Adoption of Simplified Accounting Treatments or Particular Accounting Treatments

Valuation Method for Inventories

Only those inventories, of which profitability apparently decrease, are written down to the estimated net realizable value.

### (3) Summary of Changes in Accounting Principles and Methods, Presentation and Other Items

#### i) Adoption of Accounting Standard for Asset Retirement Obligations

The Accounting Standards Boards of Japan (“ASBJ”) Statement No. 18 “Accounting Standard for Asset Retirement Obligations” and ASBJ Guidance No. 21 “Guidance on Accounting Standard for Asset Retirement Obligations,” both of which were issued on March 31, 2008, were adopted beginning from the three months ended June 30, 2010.

As a result, operating losses and ordinary losses each increased by ¥1 million, and losses before income taxes and minority interest increased by ¥20 million for the six months ended September 30, 2010.

#### ii) Adoption of Accounting Standard for Business Combinations

ASBJ Statement No. 21 “Accounting Standard for Business Combinations,” ASBJ Statement No. 22 “Accounting Standard for Consolidated Financial Statements,” ASBJ Statement No. 23 “Partial Amendments to Accounting Standard for Research and Development Costs,” ASBJ Statement No. 7 “Accounting Standard for Business Divestitures,” ASBJ Statement No. 16 “Accounting Standard for Equity Method and Accounting for Investments,” and ASBJ Guidance No. 10 “Guidance on Accounting Standard for Business Combinations and Accounting for Business Divestitures,” all of which were issued on December 26, 2008, were adopted beginning from the three months ended September 30, 2010.

### (4) Summary of Going Concern

The Group had continuously recorded significant operating losses, ordinary losses and net losses until the previous fiscal year.

During the three months ended September 30, 2010, Incubator Bank of Japan, Limited (“IBJ”) which was the Group’s major lender was put under control of Deposit Insurance Corporation of Japan (“DICJ”) due to administrative sanctions by the Financial Services Agency on September 10, 2010, and the Tokyo District Court made a judicial decision on commencement of civil rehabilitation proceedings by IBJ on September 13, 2010. Accordingly, the Group recorded ¥5,504 million of operating losses, ¥5,937 million of ordinary losses and ¥14,602 million of net losses for the six months ended September 30, 2010 mainly due to impairment losses of ¥1,861 million on the entire amount of shares of IBJ held as well as allowance for loan losses of ¥6,650 million on the entire amount of long-term loans to IBJ. As a result, the Group recorded ¥7,553 million of negative net worth as of September 30, 2010. In addition, the Group borrowed ¥20,442 million, including obligation under securities buy-back agreements, from IBJ and ¥1,520 million from Small and Medium-sized Enterprises Guarantee Co., Ltd. (“SMEG”), which filed a petition for the commencement of civil rehabilitation proceedings on October 15, 2010. As of September 30, 2010, ¥1,500 million of obligation under securities buy-back agreements is due for repurchase, and the Company and IBJ have been consulting on extension of the due date of repurchase and other issues. Also, the other borrowings are due for repayment within one year. Therefore, if the Company and other lenders including IBJ do not reach settlement on consultations regarding amendments to terms and conditions of contracts hereafter, it could significantly adversely affect the Group’s cash position, and these conditions raise substantial doubt concerning the Group’s ability to continue as a going concern.

In order to resolve this situation, the Group is going to implement the measures such as strengthening of relationship with Neoline Holdings Co., Ltd., consultations with lenders, and establishment of a stable revenue base.

See “Going Concern” on page 11 for details.

### 3. Quarterly Consolidated Financial Statements

#### (1) Consolidated Balance Sheets

	September 30, 2010	(Summary) March 31, 2010
	Amount	Amount
(In millions)		
<b>ASSETS:</b>		
<b>Current Assets:</b>		
Cash and deposits	¥ 2,794	¥ 5,097
Loans receivable	18,289	22,188
Receivables from guarantees paid	3,873	4,056
Real estate for sale	8,941	3,497
Real estate under construction for sale	-	6,193
Other	2,120	2,833
Allowance for loan losses	(3,834)	(3,892)
<b>Total Current Assets</b>	<b>32,184</b>	<b>39,974</b>
<b>Fixed Assets:</b>		
Tangible fixed assets	32	36
Intangible fixed assets	19	39
Investment and other assets:		
Investment securities	5,511	9,115
Long-term loans	7,945	7,952
Bankrupt and delinquent loans receivable	38,083	42,712
Other	964	2,395
Allowance for loan losses	(36,899)	(29,981)
Total investment and other assets	15,606	32,193
<b>Total Fixed Assets</b>	<b>15,657</b>	<b>32,269</b>
<b>Deferred Assets</b>	<b>25</b>	<b>33</b>
<b>Total Assets</b>	<b>¥47,867</b>	<b>¥72,277</b>

	September 30, 2010	(Summary) March 31, 2010
	Amount	Amount
(In millions)		
<b>LIABILITIES:</b>		
<b>Current Liabilities:</b>		
Short-term borrowings	¥ 17,346	¥ 22,497
Current portion of long-term borrowings	4,542	6,500
Obligation under security buy-back agreements	7,200	7,200
Accrued income taxes	1,406	1,298
Reserve for guarantee losses	717	1,022
Other	1,770	2,269
<b>Total Current Liabilities</b>	32,984	40,787
<b>Long-term Liabilities:</b>		
Bonds	2,912	3,236
Long-term borrowings	1,684	4,282
Reserve for guarantee losses	347	-
Reserve for losses on excess interest repayments	9,328	10,100
Reserve for losses on business of affiliated companies	-	1,466
Other	340	768
<b>Total Long-term Liabilities</b>	14,612	19,853
<b>Total Liabilities</b>	47,596	60,641
<b>NET ASSETS:</b>		
<b>Shareholders' Equity:</b>		
Common stock	28,289	26,289
Additional paid-in capital	32,180	30,180
Accumulated deficit	(64,244)	(49,642)
Treasury stock	(3,893)	(3,893)
<b>Total Shareholders' Equity</b>	(7,668)	2,934
<b>Valuation and Translation Adjustments:</b>		
Unrealized gains on investment securities	2	436
Deferred gains on hedging instruments	127	163
Foreign currency translation adjustments	(14)	(9)
<b>Total Valuation and Translation Adjustments</b>	115	591
<b>Minority Interest</b>	7,824	8,110
<b>Total Net Assets</b>	270	11,636
<b>Total Liabilities and Net Assets</b>	¥ 47,867	¥ 72,277

(2) Consolidated Statement of Operations  
For the Six Months Ended September 30, 2009 and 2010

	Six Months Ended September 30,	
	2009	2010
	Amount	Amount
	(In millions )	
<b>Operating Revenues</b>	¥ 5,194	¥ 3,250
<b>Operating Expenses</b>	3,940	6,117
<b>Net Operating Revenues (Expenses)</b>	1,254	(2,867)
<b>Selling, General and Administrative Expenses</b>	6,257	2,636
<b>Operating Losses</b>	(5,003)	(5,504)
<b>Other Income:</b>		
Interest received	166	135
Dividends received	34	24
Guarantee fees received	101	44
Equity in income of affiliates accounted for under the equity method	162	-
Gains on foreign exchange	528	320
Other	29	11
<b>Total Other Income</b>	1,023	535
<b>Other Expenses:</b>		
Interest expenses	905	740
Equity in losses of affiliates accounted for under the equity method	-	39
Losses on investment funds	85	138
Other	22	49
<b>Total Other Expenses</b>	1,013	968
<b>Ordinary Losses</b>	(4,993)	(5,937)
<b>Special Gains:</b>		
Gains on sales of fixed assets	0	-
Gains on sales of investment securities	4	513
Gains on reversal of accrued retirement benefits for directors	-	297
Gains on retirement of bonds repurchased	3,988	-
Other	244	49
<b>Total Special Gains</b>	4,237	859
<b>Special Losses:</b>		
Losses on disposal of fixed assets	0	7
Losses on impairment	60	0
Losses on impairment of investment securities	453	2,110
Provision for loan losses	-	7,017
Losses on adjustment for adoption of accounting standard for asset retirement obligations	-	20
Other	75	291
<b>Total Special Losses</b>	589	9,447
<b>Losses before Income Taxes and Minority Interest</b>	(1,345)	(14,525)
<b>Income Taxes:</b>		
Current	14	77
<b>Total Income Taxes</b>	14	77
<b>Losses before Minority Interest</b>	-	(14,602)
<b>Minority Interest in Net Income (Losses) of Subsidiaries</b>	3	(0)
<b>Net Losses</b>	¥ (1,363)	¥ (14,602)

(3) Consolidated Statement of Cash Flows

	Six Months Ended September 30,	
	2009	2010
	Amount	Amount
	(In millions)	
<b>Operating Activities:</b>		
Losses before income taxes and minority interest	¥(1,345)	¥(14,525)
Depreciation and amortization	30	10
Losses on impairment	60	0
(Decrease) Increase in allowance for loan losses	(594)	6,860
Decrease in reserve for losses on excess interest repayments	(150)	(1,526)
Decrease in reserve for losses on business of affiliated companies	(372)	-
Decrease in reserve for guarantee losses	(726)	(669)
Decrease in other reserves	(210)	(42)
Interest and dividends received	(201)	(159)
Interest expenses	2,106	1,607
Losses on sales and disposal of fixed assets	0	7
Gains on sales of investment securities	(4)	(368)
Losses on impairment of investment securities	453	2,110
Losses on impairment of real estate for sale and real estate under construction for sale	370	4,053
Gains on retirement of bonds repurchased	(3,988)	-
Charge-offs of loans receivable	3,789	2,209
Decrease in interest receivable	41	9
Decrease in advanced interest received	(13)	-
Other	(753)	(1,529)
Sub-total	(1,508)	(1,951)
Proceeds from interest and dividends received	201	161
Interest paid	(2,414)	(1,245)
Proceeds from compensation received	39	-
Income taxes paid	161	27
Sub-total	(3,520)	(3,008)
Decrease in loans receivable	2,253	4,055
Decrease (increase) in real estate for sale and real estate under construction for sale	696	(174)
<b>Net cash (used in) provided by operating activities</b>	<b>(570)</b>	<b>872</b>

**(Continued)**

	Six Months Ended September 30,	
	2009	2010
	Amount	Amount
	(In millions)	
<b>(Continued)</b>		
<b>Investing Activities:</b>		
Time deposits	-	(100)
Proceeds from withdrawal of time deposits	-	310
Purchases of tangible fixed assets	(4)	(0)
Proceeds from sales of tangible fixed assets	11	-
Purchases of intangible fixed assets	(11)	-
Purchases of investment securities	(834)	(2,543)
Proceeds from sales of investment securities	211	4,231
Payments for acquisition of investment in subsidiaries resulting in change in the scope of consolidation	(234)	-
Payments for sales of investment in subsidiaries resulting in change in the scope of consolidation	-	(6)
Proceeds from sales of investment in subsidiaries resulting in change in the scope of consolidation	795	-
Proceeds from collections of loans to affiliated companies	1,710	-
Other	160	51
<b>Net cash provided by investing activities</b>	<b>1,804</b>	<b>1,942</b>
<b>Financing Activities:</b>		
Deposits of restricted cash in banks	(0)	(528)
Proceeds from withdrawal of restricted cash in banks	204	1,800
Proceeds from short-term borrowings	15,700	8,330
Repayments of short-term borrowings	(7,696)	(12,802)
Proceeds from long-term borrowings	6,380	2,120
Repayments of long-term borrowings	(7,830)	(6,664)
Payments for redemption of bonds	(6,978)	(3)
Proceeds from issuance of new shares	-	3,982
Proceeds from issuance of new shares to minority interest	991	556
Repayments to minority interest	(454)	(843)
Other	2	(0)
<b>Net cash provided by (used in) financing activities</b>	<b>317</b>	<b>(4,052)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(3)</b>	<b>(7)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,548</b>	<b>(1,244)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>2,575</b>	<b>3,935</b>
<b>Net increase in cash and cash equivalents from newly consolidated subsidiaries</b>	<b>-</b>	<b>3</b>
<b>Cash and cash equivalents at end of period</b>	<b>¥ 4,124</b>	<b>¥ 2,694</b>

(4) Going Concern

(April 1, 2010 ~ September 30, 2010)

The Group had continuously recorded significant operating losses, ordinary losses and net losses until the previous fiscal year.

During the three months ended September 30, 2010, Incubator Bank of Japan, Limited (“IBJ”) which was the Group’s major lender was put under control of Deposit Insurance Corporation of Japan (“DICJ”) due to administrative sanctions by the Financial Services Agency on September 10, 2010, and the Tokyo District Court made a judicial decision on commencement of civil rehabilitation proceedings by IBJ on September 13, 2010. Accordingly, the Group recorded ¥5,504 million of operating losses, ¥5,937 million of ordinary losses and ¥14,602 million of net losses for the six months ended September 30, 2010 mainly due to impairment losses of ¥1,861 million on the entire amount of shares of IBJ held as well as allowance for loan losses of ¥6,650 million on the entire amount of long-term loans to IBJ. As a result, the Group recorded ¥7,553 million of negative net worth as of September 30, 2010. In addition, the Group borrowed ¥20,442 million, including obligation under securities buy-back agreements, from IBJ and ¥1,520 million from Small and Medium-sized Enterprises Guarantee Co., Ltd. (“SMEG”), which filed a petition for the commencement of civil rehabilitation proceedings on October 15, 2010. As of September 30, 2010, ¥1,500 million of obligation under securities buy-back agreements is due for repurchase, and the Company and IBJ have been consulting on extension of the due date of repurchase and other issues. Also, the other borrowings are due for repayment within one year. Therefore, if the Company and other lenders including IBJ do not reach settlement on consultations regarding amendments to terms and conditions of contracts hereafter, it could significantly adversely affect the Group’s cash position, and these conditions raise substantial doubt concerning the Group’s ability to continue as a going concern.

In order to resolve this situation, the Group is going to implement the following measures:

1. Strengthening of relationship with Neoline Holdings Co., Ltd.

The Company entered into a basic agreement with Neoline Holdings Co., Ltd. (“Neoline”) with regard to a capital and business alliance on June 25, 2010, and the Company issued ¥4,000 million of new shares to Neoline through a third-party allotment on August 25, 2010. The Company has since had continuous cooperation of Neoline on financial support, and will further strengthen its relationship with Neoline through expansion of synergy effects from the business alliance.

2. Consultations with lenders

The Company sent a written notification to IBJ with regard to set-off of ¥8,579 million of credits, including ¥1,861 million of credit for payment of money equivalent to the amount of book value of shares of IBJ held by the Company and ¥6,650 million of credit for payment of money equivalent to the amount of the principal of loans to IBJ, against the same amount of debts on October 8, 2010. The Company is currently consulting with IBJ on the overall debts, such as borrowings, including the matter of these set-offs. The consultation has been underway with the cooperation of Neoline, and the Company aims to reach settlement on amendments to the terms and conditions of contracts. In addition, the Company will request other lenders, including SMEG, for refinance and others.

3. Establishment of a stable revenue base

With respect to the investment banking business in which the Group utilizes its expertise that the Group has cultivated thus far, the Group is engaging in businesses generating fee income such as advisory services on M&A, investment and financing, and operation services for investment funds. The Group will further promote the investment banking business as a revenue stream with reduced risk.

In addition, with respect to the overseas trading business, the Group is engaging in trading support services in order to respond various needs of mid-sized SMEs related to international trading such as factoring services, development of new customers and suppliers, and negotiation services, as well as consulting services on advancing into overseas markets for domestic and foreign mid-sized SMEs. The Group will actively expand these businesses by concentrating its managerial resources such as human and capital resources in order to ensure stable revenues.

Despite these measures, however, the Group recognizes substantial doubt concerning its ability to continue as a going concern at this time, because the possibility for the Group to ensure its operating revenues that could absorb increases in losses on excess interest repayments and loan loss-related expenses on loans receivable is highly dependent on external factors with uncertainties, and because the Company hereafter attempts to reach final settlements on consultations with IBJ, which is in the midst of civil rehabilitation proceedings under the control of DICJ, and SMEG, which filed a petition for the commencement of civil rehabilitation proceedings.

Nevertheless, the quarterly consolidated financial statements have been prepared on a going-concern basis and reflect no material doubt in those respects.

(5) Segment Information

**Business Segment Information**

Business segment information for the six months ended September 30, 2009 is as follows:

	Six Months Ended September 30, 2009					
	Integrated Financial Services	Real Estate Business	Other Businesses	Total	Eliminations	Consolidated
	(In millions)					
Operating revenues:						
(1) Operating revenues from third parties	¥2,766	¥2,420	¥7	¥5,194	¥ -	¥5,194
(2) Operating revenues from inter-segment sales or transfers	384	58	-	442	(442)	-
<b>Total operating revenues</b>	<b>3,151</b>	<b>2,478</b>	<b>7</b>	<b>5,637</b>	<b>(442)</b>	<b>5,194</b>
Operating losses	¥4,264	¥488	¥10	¥4,762	¥ 240	¥5,003

Notes: 1. Classification of business segments

Business segments are classified by taking into consideration similarities in the type and nature of businesses and operating transactions.

2. Main descriptions of each business segment

- (1) Integrated Financial Services: Provider of loan products to individuals including consumers, SMEs, and their owners  
Provider of guarantee services  
Investment banking business
- (2) Real Estate Business: Real estate transactions  
Real estate development  
Asset management
- (3) Other Businesses: SME support services, etc.

(Additional information)

“Servicing Business,” which was previously presented as a separate business segment, no longer exists as a result of Nissin Servicer Co., Ltd., a former consolidated subsidiary engaging in the servicing business, becoming an affiliate accounted for under the equity method during the year ended March 31, 2009.

**Geographical Segment Information**

Geographical segment information is omitted for the six months ended September 30, 2009 as domestic operating revenues accounted for more than 90% of total operating revenues for all segments during the period.

**Overseas Operating Revenues**

Information on overseas operating revenues is omitted for the six months ended September 30, 2009 as overseas operating revenues accounted for less than 10% of total operating revenues during the period.

**Segment Information**

(Additional information)

Beginning from the three months ended June 30, 2010, the Group adopted ASBJ Statement No. 17 “Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” issued on March 27, 2009 and ABSJ Guidance No. 20 “Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” issued on March 21, 2008.

1. Summary of reporting segments

The Group’s reporting segments consist of its business units, of which separate financial information is available, and these reporting segments are periodically reviewed by the Board of Directors in order to determine allocation of managerial resources and evaluate its business results.

The Group operates under the following three reporting segments: integrated financial services, the investment banking and overseas trading business, and the real estate business. The integrated financial services segment is comprised of secured and unsecured lending, and credit guarantee business for SMEs in Japan. In the investment banking and overseas trading business, the Group engages in businesses generating fee income such as advisory services, operation services for investment funds and trading support services, as well as export and sale of used cars. The Group is working on sales activities of assets held and improvement of investment efficiency in the real estate business.

2. Information regarding operating revenues and income/losses from each reporting segment

	Six Months Ended September 30, 2010							Amount on the Consolidated Statement of Operations (Note 3)	
	Reporting Segments						Other (Note 1)		Adjustment (Note 2)
	Integrated Financial Services	Investment Banking and Overseas Trading Business		Real Estate Business	Sub-total	Total			
		Real Estate Business	Sub-total						
(In millions)									
Operating revenues:									
Operating revenues from third parties	¥ 1,282	¥1,384	¥387	¥3,055	¥195	¥3,250	¥ -	¥3,250	
Operating revenues from inter-segment sales or transfers	367	-	16	384	0	385	(385)	-	
Total operating revenues	1650	1,384	404	3,439	195	3,635	(385)	3,250	
Segment (losses) income	¥(1,161)	¥66	¥(4,114)	¥(5,209)	¥(11)	¥(5,220)	¥(283)	¥(5,504)	

Notes: 1. "Other" is comprised of business segments which are not included in the reporting segments, such as temporary staffing business and other businesses. In addition, A-Vision Co., Ltd., a former consolidated subsidiary engaging in the temporary staffing business, was excluded from the scope of consolidation as of September 30, 2010 as a result of sales of equity shares.

2. Adjustment of segment (losses) income of ¥(283) million includes elimination of inter-segment transactions.

3. Segment (losses) income is reconciled to the operating losses in the consolidated statement of operations.

(6) Note to Significant Changes in Shareholders' Equity

During the six months ended September 30, 2010, common stock and additional paid-in capital increased by ¥2,000 million, respectively, as a result of completion of payment for issuance of new shares through a third-party allotment to Neoline Holdings Co., Ltd. on August 25, 2010. As of September 30, 2010, the amounts of common stock and additional paid-in capital were ¥28,289 million and ¥32,180 million, respectively.

(7) Significant Subsequent Events

The Company resolved to set off credits which the Company holds against Incubator Bank of Japan, Limited ("IBJ") against debts which the Company owes to IBJ at the board of directors meeting held on October 8, 2010 and that the Company sent a written notification of that set-off to IBJ on the same day as below.

1. Overview of credits and debts to be set off

- (1) Credits to be set off (credits which the Company holds against IBJ)
  - i) Credit for payment of guarantee fees for August, 2010, etc. ¥68 million
  - ii) Credit for payment of money equivalent to the amount of the principal of loans to IBJ based on subordinated loan agreements with IBJ ¥6,650 million
  - iii) Credit for payment of money equivalent to the amount of book value of shares of IBJ which the Company holds ¥1,861 million
- (2) Debts to be set off (credits subject to set-off of credits which IBJ holds against the Company)
  - i) Credit for payment of loans based on loan agreements ¥8,075 million
  - ii) Credit for performance of guarantee obligation based on guarantee agreement ¥504 million

2. Reason for the Set-off

While the Company has long-term loans receivable in the amount of JPY 6,650 million to IBJ (described in 1. - (1)- ii) above, the “Long Term Loan”), IBJ filed a petition with the Tokyo District Court for the commencement of civil rehabilitation proceedings on September 10, 2010 and the Company considers the value of the Long Term Loan has been completely eroded. Although the agreement for the Long Term Loan provides that the Company may not set off the credit for repayment of principal against IBJ’s credits against the Company, the Company considers, in the light of background of the Long Term Loan, that such agreement shall be deemed void (for violation of Article 90 of the Civil Code) and, if not, the Company still has a credit for compensation of damages due to IBJ’s default on the agreement for Long Term Loan (breach of representation and warranty clause) and/or due to IBJ’s impairment of the value of the Long Term Loan owing to serious problems in its management system.

In addition, in regard to shares of IBJ which the Company holds in an amount of JPY 1,861 million in book value (described in 1. - (2) - iii) above), the Company considers that the Company has credits for compensation of damages due to IBJ’s default or tort by breach of duty to disclose risks in the course of subscription for the shares by the Company and/or due to IBJ’s impairment of the share value owing to serious problems in its management system.

At the same time, considering that IBJ has filed a petition for the commencement of civil rehabilitation proceedings, it is unavoidable that the value of the Company’s credits against IBJ will be harmed as the civil rehabilitation proceedings develop while, conversely, the Company’s debts to IBJ will remain, leading to a deterioration in the financial position of the Company, and thus the Company resolved to set off the credits which the Company holds against IBJ as 1. - i) above against the credits which IBJ holds against the Company as 1. - (2) above in the corresponding amount (the “Set-off”) at the board of directors meeting held on October 8, 2010 and the Company sent a written notification of the Set-off to IBJ.

Also, the Company received a written notification from IBJ demanding payment of repurchase price of ¥1,500 million which is due for repurchase as of September 30, 2010 out of obligation under securities buy-back agreements in the current liabilities.

The Company is currently consulting with IBJ on the overall debts, such as borrowings, including the matter of Set-off as above; therefore, the effects of the future progress of the consultation on the consolidated financial position, results of operation and cash flows in the subsequent fiscal period are undetermined.

#### 4. Supplementary Information

##### Operating Results of the Group

###### (1) Operating Revenues by Business Segment

	Six Months Ended September 30, 2010	
	Amount	Percentage of Total
(In millions except percentages)		
<b>Integrated Financial Services:</b>		
Interest income from notes and loans receivable:		
Secured loans	¥ 290	8.9%
SME loans	135	4.2
Discount notes	-	-
Consumer loans	233	7.2
Total	660	20.3
Fees received	5	0.2
Guarantee fees received	396	12.2
Other	220	6.8
Total	622	19.2
Sub-total	1,282	39.5
<b>Investment Banking and Overseas Trading Business:</b>		
Revenue from investment banking	219	6.8
Revenue from overseas trading	967	29.8
Other	197	6.0
Sub-total	1,384	42.6
<b>Real Estate Business:</b>		
Revenue from sales of real estate	-	-
Other	387	11.9
Sub-total	387	11.9
<b>Other Businesses:</b>		
Other	195	6.0
Sub-total	195	6.0
<b>Total</b>	<b>¥3,250</b>	<b>100.0%</b>

Note: 1. Business segments presented above are identical to the reporting segments presented in "Segment Information."

2. Consumption taxes are excluded from the amount presented above.

(2) Operating Assets by Business Segment

	September 30, 2010	
	Amount	Percentage of Total
	(In millions except percentages)	
<b>Integrated Financial Services:</b>		
Notes and loans receivable:		
Secured Loans	¥ 7,203	22.7%
SME loans	6,353	20.1
Discount notes	-	-
Consumer loans	4,732	14.9
Total	18,289	57.7
Receivables from guarantees paid	3,873	12.2
Other	256	0.8
Sub-total	22,419	70.7
<b>Investment Banking and Overseas Trading Business:</b>		
Goods in trade	350	1.1
Sub-total	350	1.1
<b>Real Estate Business:</b>		
Real estate for sale	8,941	28.2
Real estate under construction for sale	-	-
Sub-total	8,941	28.2
<b>Other Businesses:</b>		
Other	-	-
Sub-total	-	-
<b>Total</b>	¥31,710	100.0%

Notes: 1. Business segments presented above are identical to the reporting segments presented in "Segment Information."

2. In addition to those presented above, the amount of loans and accounts receivable of other companies that the Group guarantees in connection with the credit guarantee business in the integrated financial services segment is as follows:

	September 30, 2010	
	Amount	
	(In millions)	
Guarantees for loans and accounts receivable		¥9,097

Note: Guarantees for loans and accounts receivable presented above are the amounts after the deduction of reserves.