

To Our Shareholders with Voting Rights

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NOTICE OF THE 51ST ORDINARY GENERAL MEETING OF SHAREHOLDERS

We hereby inform you of the 51st Ordinary General Meeting of Shareholders to be held as described below.

If you are unable to attend the meeting, you can exercise your voting rights by mail.

[Exercise of voting rights by mailing the Voting Exercise Form]

Please read the attached Reference Documents for the Exercise of Voting Rights and fill out the enclosed Voting Rights Exercise Form with your vote of approval or disapproval and registered seal and return it by Monday, June 28, 2010.

1. Date: 10:00 A.M., Tuesday, June 29, 2010

2. Place: Nadao Hall, Japan National Council of Social Welfare,
Shin-Kasumigaseki Building 1F, 3-3-2, Kasumigaseki, Chiyoda-ku, Tokyo, Japan
*The place is different from the previous Ordinary General Meeting of Shareholders

3. Objectives of the Meeting

- Reports:**
1. The content of the Business Report, the content of the Consolidated Financial Documents, and results of an audit of the Consolidated Statutory Reports by the Independent Auditors and the Board of Statutory Auditors for the 51st Fiscal Year (the fiscal year ended March 31, 2010).
 2. The content of the Non-Consolidated Financial Documents for the 51st Fiscal Year (the fiscal year ended March 31, 2010).

Matters to be resolved:

Proposal No. 1: Selection of Five (5) Directors

Proposal No. 2: Selection of Two (2) Statutory Auditors

4. Decisions of the Ordinary General Meeting of Shareholders

When a shareholder who votes in writing fails to indicate approval or disapproval of any proposal, we shall deem this to be an expression of interest to approve such proposal.

*For those attending, please present the enclosed Voting Rights Exercise Form at the reception desk on arrival at the meeting.

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

BUSINESS REPORT

(From April 1, 2009 to March 31, 2010)

(In this business report, where information is presented in millions of yen, amounts of less than one million have been rounded down. All percentages have been rounded to the nearest one-tenth of one percent.)

1. SUMMARY OF CORPORATE GROUP

(1) Business Developments and Results of Operations of NIS Group

i) Overview

For the year ended March 31, 2010, the Japanese economy has remained severe due to stagnation of employment and income situation, although business confidence has been partly recovering led by domestic and foreign economic stimulus measures as well as the booming economies of emerging nations such as China. In addition, although the international financial and capital markets are emerging from the global financial crisis, the financial environment for small and medium-sized enterprises (“SMEs”) and liquidity of real estate in Japan have remained stagnant.

In this business environment, NIS Group Co., Ltd. (the “Company”) and its consolidated subsidiaries (collectively, the “Group”) steadily implemented its rehabilitation plan which had been prepared in the previous fiscal year to achieve a turnaround of its business structure.

With regard to the financial results for the year ended March 31, 2010, total operating revenues were ¥10,866 million, a decrease of ¥21,304 million, or 66.2%, compared with 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, and sales of a part of the Group’s shares in consolidated subsidiaries resulting in change in the scope of consolidation, offset by revenue of ¥4,117 million from sales of real estate held.

Operating losses were ¥7,172 million, compared to ¥36,328 million of operating losses for the previous fiscal year. This is mainly attributable to costs of real estate sold incurred as a result of sales of real estate held, in addition to expenses continuously incurred related to excess interest repayments and loan losses.

Ordinary losses were ¥7,944 million, compared to ¥38,412 million of ordinary losses for the previous fiscal year. This is mainly attributable to ¥1,752 million of interest expenses incurred as other expenses, offset by gains of ¥427 million on foreign exchange and ¥298 million of interest received incurred as other income

Net losses for the year ended March 31, 2010 were ¥1,001 million, compared to ¥50,805 million of net losses for the previous fiscal year. This is mainly attributable to gains of ¥4,306 million on retirement of bonds repurchased such as U.S. Dollar-denominated Unsecured Straight Bond, gains of ¥1,591 million on sales of a part of investment in affiliated companies, and gains of ¥1,100 million in the total of reversal of reserve for losses on businesses of affiliated companies and reserve for guarantee losses.

ii) Operating Results by Business Segment

(Integrated Financial Services)

In integrated financial services, the Group mainly engages in investment banking business, overseas and trading support business, credit guarantee business, and secured and unsecured lending to SMEs in Japan.

With respect to the investment banking business, the Group is focusing on the advisory services on mergers and acquisitions (M&A) and investment and financing, and operation services for investment funds by utilizing its expertise that the Group has cultivated thus far. With respect to the overseas and trading support business, the Group is engaging in trading support services in order to respond various needs of mid-sized SMEs such as factoring services related to international trading, 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 continue to actively expand these businesses by concentrating its managerial resources such as human and capital resources. In addition, with respect to existing credit guarantee business and loan business, taking into account the current business environment, the Company is undertaking constrains 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 year ended March 31, 2010 were ¥5,057 million, a decrease of ¥10,022 million, or 66.5%, compared with the previous fiscal year, and operating losses were ¥6,049 million, compared to ¥24,278 million of operating losses for the previous fiscal year.

(Real Estate Business)

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

As a result, operating revenues from the real estate business for the year ended March 31, 2010 were ¥4,916 million, a decrease of ¥1,455 million, or 22.8%, compared with the previous fiscal year, and operating losses were ¥669 million, compared to ¥7,590 million of operating losses for the previous fiscal year.

(Other Businesses)

Operating revenues from other businesses for the year ended March 31, 2010 were ¥892 million, a decrease of ¥9,826 million, or 91.7%, compared with the previous fiscal year, and operating income was ¥5 million, compared to ¥4,202 million of operating losses for the previous fiscal year.

In addition, with respect to the business segment, "Servicing Business" no longer exists as a result of Nissin Servicer Co., Ltd., a former consolidated subsidiary engaging in the servicing segment, became an affiliate accounted for under the equity method during the fiscal year ended March 31, 2009 and, accordingly, "Servicing Business" segment is included in "Other Businesses" segment in the information above.

(2) Operating Results and Financial Position of the Group

(Millions of yen except per share data and percentages)

Term	48th Fiscal Year	49th Fiscal Year	50th Fiscal Year	51st Fiscal Year
Balance sheet date	March 2007	March 2008	March 2009	March 2010
Operating revenues	88,152	83,027	32,170	10,866
Ordinary income (losses)	9,323	(17,438)	(38,412)	(7,944)
Net income (losses)	8	(45,116)	(50,805)	(1,001)
Net income (losses) per share (in yen)	0.00	(289.06)	(212.03)	(4.18)
Total assets	403,880	272,983	88,403	72,277
Net assets	86,747	56,763	16,019	11,636
Net worth ratio (%)	20.5%	20.1%	5.1%	4.9%
Net assets per share (in yen)	29.01	228.89	18.78	14.72

Notes: 1. Consumption tax is excluded from operating revenues.

2. On August 31, 2007, the Company completed a 1-for-20 reverse stock split.

(3) Challenges for the Group

The Group has continuously recorded material operating losses, ordinary losses and net losses since the fiscal year ended March 31, 2008. In addition, the Group recorded operating losses of ¥7,172 million, ordinary losses of ¥7,944 million and net losses of ¥1,001 million for the year ended March 31, 2010, 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 implemented a rehabilitation plan for reorganization of the Group's business structure, reinforcement of a stable capital base and establishment of a lean organization structure. The Group will increase its efforts to achieve early improvement of its business performance by steadily overcoming the following challenges:

1. 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 and trading support business in which the Group has started full-scale operation during the fiscal year ended March 31, 2010, the Group is engaging in trading support services in order to respond various needs of mid-sized SMEs such as factoring services related to international trading, 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.

2. Reinforcement of a stable capital base

Based on an agreement with Small and Medium-sized Enterprises Guarantee Co., Ltd. with regard to a strategic capital and business alliance, Small and Medium-sized Enterprises Guarantee Co., Ltd., Incubator Bank of Japan, Limited and others have provided necessary financial support in order for the Company to establish a stable capital base. In addition, the Group sold nine real-estate properties held for sale for the fiscal year ended March 31, 2010, and is striving to reduce its interest-bearing debt through reduction of assets by continuously selling real estate held for sale and collecting loans receivable.

3. Continuous improvement of the Group's cost structure

In order to improve management efficiency through concentration in areas of core competence, the Group implemented cost reduction such as relocation of its headquarters and outsourcing of its operations for the fiscal year ended March 31, 2010. The Group is striving to continuously reduce its costs through improvement of its cost structure from every aspect of operations.

(4) Principal Business Segments for the Group (as of March 31, 2010)

The NIS Group corporate group, comprised of NIS Group Co., Ltd. and its 30 subsidiaries and 13 affiliates, provides integrated financial services as its core business. Information about the member of the Group is given below:

Business Segment	Business Category	Company Name	Business Description
	Investment banking business	NI Strategic Partners Co., Ltd., a consolidated subsidiary Japan Incubation Fund Investment Business Partnership, a consolidated subsidiary 6 other consolidated subsidiaries and 6 affiliates accounted for under the equity method	Advisory services on merger and acquisition (M&A), and investment and financing Operation services for investment funds
Integrated Financial Services	Overseas and trading support business	NIS Group Co., Ltd.	Trading support services Consulting services on advancing into overseas markets
	SME loan business	NIS Group Co., Ltd. 6 consolidated subsidiaries and 1 affiliate accounted for under the equity method	Provider of unsecured loans, secured loans, and real estate finance
	Consumer loan business		
	Credit guarantee business		Credit guarantee services
Real Estate Business	Real estate business	NIS Group Co., Ltd. 8 consolidated subsidiaries and 2 affiliates accounted for under the equity method	Real estate transactions, real estate development and asset management
Other Businesses	Other businesses	Agasta Co., Ltd., a consolidated subsidiary 7 other consolidated subsidiary and 4 affiliates accounted for under the equity method	Trading business Temporary staffing business SME support services and other businesses

(5) Principal Offices of the Group (as of March 31, 2010)

i) Offices of the Company

Name of Office	Description	Location or Number of Offices
Tokyo Head Office	Offices	Shinjuku-ku, Tokyo
Matsuyama Head Office		Matsuyama City, Ehime
Ho Chi Minh Resident Representative Office		Ho Chi Minh, Vietnam
Sales Department	Sales office	Kawaguchi City, Saitama

ii) Office of Principal Subsidiary

Name of Subsidiary	Name of Office	Description	Location or Number of Offices
NI Strategic Partners Co., Ltd.	Head Office	Offices	Chuo-ku, Tokyo
Agasta Co., Ltd.			Sumida-ku, Tokyo

(6) Employees of the Group (as of March 31, 2010)

Classification	Integrated Financial Services	Real Estate Business	Other Businesses	Total
Number of employees (Persons)	110 (11)	- (-)	35 (2)	145 (13)

- Notes:
1. The number of employees represents the number of full-time employees, including employees of third parties seconded to the Group, net of employees seconded to third parties by the Group.
 2. Numbers presented in parentheses are the average number of temporary employees for the one-year period, and are not included in the related number of full-time employees.
 3. Temporary employees include part-timers and persons with short-term contracts, net of temporary employees dispatched from personnel agencies.
 4. The number of employees for integrated financial services decreased by 24 persons, or 17.9%, compared with the end of the previous fiscal year. This is mainly due to employment transfers and secondments to affiliated companies implemented by the Company.
 5. The number of employees for other businesses increased by 35 persons compared with the end of the previous fiscal year. This is mainly due to Agasta Co., Ltd. and 3 other companies engaging in the other businesses becoming consolidated subsidiaries during the fiscal year ended March 31, 2010.

(7) Status of Principal Subsidiaries (as of March 31, 2010)

Company Name	Common Stock (Millions of yen)	Ratio of Voting Rights Owned by NIS Group (%)	Main Business
NI Strategic Partners Co., Ltd.	22	100.0	Integrated Financial Service
Agasta Co., Ltd.	364	100.0	Other Businesses
28 other companies	-	-	-

- Notes:
1. The "Main Business" column refers to the business segment.
 2. Agasta Co., Ltd. became a consolidated subsidiary on August 31, 2009 as a result of acquisition of shares through a cash tender offer.

(8) Major Creditors (as of March 31, 2010)

Name of Creditor	Balance of Borrowings (Millions of yen)
Incubator Bank of Japan, Ltd.	13,707
Small and Medium-sized Enterprises Guarantee Co., Ltd.	4,865
Kansai Financial Port Co., Ltd.	2,300
Wanda Co., Ltd.	2,200
Silver Arrow Mobile Co., Ltd.	2,000
Mizuho Trust & Banking Co., Ltd.	1,560
NIS Lease Co., Ltd.	1,250
Maruman Co., Ltd.	1,000
J One Investment Co., Ltd.	900
The Saikyo Bank, Ltd.	600

(9) Policies on Dividend Distribution When the Board of Directors Has the Right to Determine the Distribution of Earnings and Dividends etc. in Accordance with Clause 1, Article 459 of the Corporate Law.

Taking into consideration the business environment surrounding the Group, we have been focusing on internal reserve at the moment in order to establish a sustainable and stable capital base as a challenge for us.

Based on the abovementioned policy, the Group has decided to make no annual dividend payment for the fiscal year ended March 31, 2009.

The Group will increase its efforts to establish a stable revenue base in order to fulfill the expectations of its shareholders.

2. SHARES OF THE COMPANY (as of March 31, 2010)

- (1) Number of Authorized Shares 384,000,000 shares
- (2) Number of Outstanding Shares 239,604,233 shares
(Excluding 6,290,117 shares of treasury stock)
- (3) Number of Shareholders at the End of Fiscal Year 61,749 persons
(Decreased 2,024 persons compared with the end of the previous fiscal year)
- (4) Top 10 Largest Shareholders

Name of Shareholder	Number of Shares Owned (Thousand shares)	Percentage of Outstanding Shares (%)
Small and Medium-sized Enterprises Guarantee Co., Ltd.	19,899	8.30
Small and Medium-sized Enterprises Personnel Co., Ltd.	19,896	8.30
Investment Organization of Small and Medium-sized Enterprises Co., Ltd.	19,896	8.30
Support Organization of Small and Medium-sized Enterprises Co., Ltd.	19,896	8.30
Index Holdings Co., Ltd.	19,500	8.14
Nishin Building Co, Ltd.	16,815	7.02
Kunihiko Sakioka	4,495	1.88
Hideo Sakioka	3,980	1.66
Japan Securities Finance Co., Ltd.	2,203	0.92
Midori Moriyama	1,988	0.83

3. STOCK ACQUISITION RIGHTS

Important Matters Concerning Issuance of Stock Acquisition Rights

Based on the resolution of the Extraordinary Meeting of Shareholders held on February 18, 2008, stock acquisition rights were issued to TPG Izumi, L.P., TPG Izumi AIV 6, L.P., and TPG Izumi AIV 1, L.P. on February 20, 2008. However, base on amicable termination of the Capital and Business Alliance with TPG agreed on December 24, 2008, such stock acquisition rights were transferred at no charge to the Company and became rights to acquire its own stock.

(Tenth stock acquisition rights of the Company)

* Number of stock acquisition rights	87,500 units
*Type and number of shares subject to stock acquisition rights	(common stock) 8,750,000 shares
* Amount to be paid per stock acquisition right	Gratis
*The value of property that will be contributed upon exercise of the stock acquisition rights	¥200 per share

Note: The amount to be paid per share for the shares issued by the Company upon exercise of acquisition rights (the "Exercise Price") shall, initially, be ¥200 per share (the "Initial Exercise Price"). However, if the average closing price of the Company's common stock in ordinary trading on the Tokyo Stock Exchange, Inc. (including the average of the bid prices (*uri-kehaine*) and ask prices (*kai-kehaine*) or, if more than one in either case, the average of the average bid prices and average ask prices) for the five consecutive trading days ending the day (inclusive) before the Exercise Date falls below the Initial Exercise Price (or the Exercise Price after adjustment, if adjusted pursuant to the terms and conditions of the acquisition rights (*hakkou-youkou*) resolved by the Board of Directors), the Exercise Price shall be obtained by multiplying 0.9 to the Initial Exercise Price (or the Exercise Price after adjustment, if adjusted pursuant to the terms and conditions of the acquisition rights (*hakkou-youkou*) resolved by the Board of Directors) (rounded down to the nearest first decimal place) . The Exercise Price could be adjusted pursuant to the terms and conditions (*hakkou-youkou*) resolved by the Board of Directors).

* Exercise period	From February 20, 2008 to 5pm, February 20, 2015
* Conditions for exercising the acquisition rights	Each acquisition right shall be exercisable only in whole and not in part

4. DIRECTORS OF THE BOARD

(1) Directors and Statutory Auditors (as of March 31, 2010)

Name	Position and Assignment in the Company	Important Concurrent Posts
Toshioki Otani	President and Representative Director of the Board	
Takumi Kawamura	Director of the Board	President and Representative Director of Small and Medium-sized Enterprises Guarantee Co., Ltd.
Yutaka Nishio	Director of the Board	
Yoshihiko Okuno	Director of the Board	
Akio Sakioka	Standing Statutory Auditor	President and Representative Director of Nissin Building Co., Ltd.
Hitoshi Higaki	Statutory Auditor	
Nobuyuki Fukui	Statutory Auditor	
Isamu Kobori	Statutory Auditor	
Katsuhiko Asada	Certified Public Accountant	

Notes: 1. Directors, Mr. Takumi Kawamura, Mr. Yutaka Nishio and Mr. Yoshihiko Okuno, and Statutory Auditors, Mr. Nobuyuki Fukui and Mr. Isamu Kobori were newly appointed as their posts as of the conclusion of the 50th Ordinary General Meeting of Shareholders on June 29, 2009.

2. Director, Mr. Masayuki Yasuoka resigned due his term expiring as of the conclusion of the 50th Ordinary General Meeting of Shareholders on June 29, 2009.

3. Resignations of Directors and Statutory Auditors during the fiscal year ended March 31, 2010 are as follows:

Name	Assignment and Important Concurrent Posts as of the Date of Resignation	Date of Resignation
Katsuhiko Asada	Statutory Auditor	June 29, 2009
Masaaki Uchino	Statutory Auditor	June 29, 2009
Kunihiko Sakioka	President and Representative Director of the Board	November 11, 2009

4. Other changes in Directors during the fiscal year ended March 31, 2010 are as follows:

November 11, 2009

Name	New Assignment	Former Assignment
Katsuhiko Asada	President and Representative Director of the Board	Vice President and Representative Director of the Board
Kunihiko Sakioka	Director of the Board	Chairman and Director of the Board

5. Mr. Yutaka Nisho and Mr. Yoshihiko Okuno are Outside Directors pursuant to Item 15, Article 2 of the Corporate Law.

6. Mr. Nobuyuki Fukui and Mr. Isamu Kobori are Outside Statutory Auditors pursuant to Item 16, Article 2 of the Corporate Law.

(2) Compensation Paid to Directors and Statutory Auditors

Name	Number of Persons	Amount Paid (Millions of yen)	Notes
Directors	3	20	
Statutory Auditors	4	10	
Total	7	30	

- Notes:
1. "Amount Paid" includes compensation to one (1) resigned Director and two (2) resigned Statutory Auditors. In addition, three (3) Directors, including Outside Directors, and two (2) Outside Statutory Auditors did not receive compensation.
 2. Compensation of Directors was resolved to be within ¥500 million a year, at the 47th Ordinary General Meeting of Shareholders held on June 24, 2006 (excluding payment for concurrent work as employees).
 3. Compensation of Statutory Auditors was resolved to be within ¥150 million a year at the 47th Ordinary General Meeting of Shareholders held on June 24, 2008.

(3) Outside Directors and Outside Auditors

Major Activities of Outside Directors and Auditors

Classification	Name	Activity
Director	Yutaka Nishio	Since he assumed the post on June 29, 2009, had attended almost all of the meetings of the Board of Directors held during the fiscal year ended March 31, 2010, and made necessary remarks on measures and discussions as appropriate, based on wide-ranging experience and deep knowledge of corporate management, which he obtained mainly as a director of a listed company.
Director	Yoshihiko Okuno	Since he assumed the post on June 29, 2009, had attended all of the meetings of the Board of the Directors held during the fiscal year ended March 31, 2010, and made necessary remarks on measures and discussions as appropriate, based mainly on wide-ranging experience and deep knowledge of SME finance.
Statutory Auditor	Nobuyuki Fukui	Since he assumed the post on June 29, 2009, had attended almost all of the meetings of the Board of Directors and the Board of Statutory Auditors, and made necessary remarks on measures and discussions as appropriate, based on wide-ranging experience and deep knowledge obtained through long-term business experience at financial institutions.
Statutory Auditor	Isamu Kobori	Since he assumed the post on June 29, 2009, had attended almost all of the meetings of the Board of Directors and all of the meetings of the Board of Statutory Auditors, and made necessary remarks on measures and discussions as appropriate, based on wide-ranging experience and deep knowledge obtained through long-term business experience at financial institutions.

(4) Summary of Agreements on Limitation of Liability

The Company revised its Articles of Incorporation at the 43rd Ordinary General Meeting of Shareholders held on June 22, 2002, to limit the liability of Outside Directors and revised the Articles again at the 47th Ordinary General Meeting of Shareholders, held on June 24, 2006, to limit the liability of Outside Statutory Auditors. The outlines of the agreements signed by the Company with all Outside Directors, and with all Outside Statutory Auditors, limiting their liability, are as follows:

- i) Agreement on limiting the liability of Outside Directors
In relation to the liability set forth in Clause 1, Article 423 of the Corporate Law, the Outside Director is to bear responsibility to the extent of ¥20 million, or the minimum amount as defined by Clause 1, Article 425 of the Corporate Law, whichever is greater, in the event the Director acts in good faith without gross negligence.
- ii) Agreement on limiting the liability of Outside Statutory Auditors
In relation to the liability set forth in Clause 1, Article 423 of the Corporate Law, the Outside Statutory Auditor is to bear responsibility to the extent of ¥20 million, or the minimum amount as defined by Clause 1, Article 425 of the Corporate Law, whichever is greater, in the event the Auditor acts in good faith without gross negligence.

(5) Compensation Paid to Outside Executives

	Number of Persons	Amount Paid (Millions of yen)
Outside Statutory Auditors	2	9

5. INDEPENDENT AUDITORS

(1) Name of Independent Auditor Firm Used

BDO Sanyu & Co.

(2) Compensation for Independent Auditors

Item	Amount (Millions of yen)
i) Amount of compensation	48
ii) Total emolument of cash and other assets to be paid to the public accounting firm used by the Company and its subsidiaries	55

Notes: The Company and some of its subsidiaries in their contracts with the public accounting firm do not distinguish between auditor compensation based on the Corporate Law and auditor compensation based on the Financial Instruments and Exchange Law. Because there can be no de facto distinction of this kind, the amounts in i) and ii) include auditor compensation based on the Financial Instruments and Exchange Law.

(3) Policy Regarding Termination and Non-reappointment

The Board of Statutory Auditors can terminate an Independent Auditor when all members of the Board agree that the Independent Auditor meets the conditions stated in Clause 1, Article 340 of the Corporate Law. In such a case, a Statutory Auditor elected by the Board is to report the dismissal and reasons for dismissal at the General Meeting of Shareholders following dismissal.

Additionally, when the Board of Statutory Auditors recognizes that it has become difficult for an Independent Auditor to properly discharge its duties, it shall request the Board of Directors to propose the termination of or the decision to not re-appoint the Independent Auditor at the following General Meeting of Shareholders or agree to it if requested by the Board of Directors.

6. SUMMARY OF RESOLUTION FOR IMPROVEMENT OF ARRANGEMENTS TO ENSURE PROPER EXECUTION OF WORK

(1) Arrangements to Ensure that Executives and Employees are in Compliance with Laws and Regulations, and the Articles of Incorporation, in the Execution of Their Work

The following improvements are to be made in order to enhance compliance systems:

- i) The Board of Directors will establish “NIS Ethical Standards,” common to both all Directors and all employees of the Group (including executive officers). Along with making efforts to set an example through its leadership, the Board of Directors will publicize this standard thoroughly.
- ii) As the department responsible for compliance, the “Compliance Control Department” will undertake review and revision of compliance-related rules and manuals, and undertake to inform all Directors and employees thoroughly.
- iii) The “Compliance Control Department” will undertake a survey of administrative processes in all departments, seeking to discover and prevent any improper condition from occurring.
- iv) A “Risk Management Committee” is to be held as necessary to examine issues relating to the occurrence of various risks, and to discuss measures to prevent occurrence of such risks and action subsequent to their occurrence, as well as measures regarding risk control, policies on handling illegal acts, investigation of causes and development of preventive measures.
- v) Minimization of risks that can arise from illegal acts and the like will be sought by an internal reporting system based on the “Rules for Functioning of Internal Reporting System”, and efforts to ensure that the system remains viable and functioning will be made by routinely reviewing these Rules.
- vi) The “Strategic Planning Department” will work with the “Compliance Control Department” so that compliance matters are well understood by all Directors and employees, and will carry out training programs.

- vii) Outside Directors are to be appointed as a control function to further enhance the effectiveness of the work of the Board of Directors, on the premise that this will merit the trust of the shareholders.
- viii) All relationships with anti-social forces will be blocked for the sound management of the Company. The “Strategic Planning Department” will create a manual for the handling of anti-social forces and construct a system of alliances with external institutions such as the police.

(2) Arrangements Related to the Preservation and Control of Information Regarding the Performance of Work by the Directors

- i) In order to promote management arrangements to protect the confidentiality, completeness and usability of the information assets that the Company owns, and to ensure appropriate information security, the Company will establish an “Information Security Policy”, and along with making efforts to set an example through its leadership, the Board of Directors will publicize this standard thoroughly.
- ii) Appropriate retention and control of information and documents related to the performance of work by the Board of Directors is to be achieved by the “Information Security Policy,” “Basic Information Security Regulations,” “Regulations on Implementation of Information Security,” “Document Control Manual,” and similar internal rules, to be applied with regards to information and documents the preparation and retention of which are required by laws and regulations as well as information and documents related to important decisions and acts made by the Company.
- iii) These rules can be revised when necessary and are to be coordinated with other internal rules.

(3) Rules and Arrangements Regarding Risk of Loss

- i) The “Compliance Control Department” will control risk management and manage the risks of the Group overall in cooperation with other related divisions and departments.
- ii) The Board of Directors will receive reports on risk information and handle such risk and implement other necessary measures. In addition, the “Risk Management Committee” consists of the Representative Director, supervisory employees from the related departments and invites external knowledgeable persons, such as lawyer and professors in order to discuss issues relating to risk management.
- iii) The types and definitions of risks that may impact upon the management of the Company in the event of realization shall be clarified, and management systems for the regulations, etc. on all risk will be established. Arrangements will be made to enable prompt and appropriate information delivery and handling in the event that a risk is realized. However, revisions of risk types will be carried out as appropriate.
- iv) The “Strategic Planning Department” is to promote awareness for all directors and employees on the part of each individual of risk management.
- v) Basic Rules for Risk Management and other internal rules will be reviewed and revised with regard to the Company’s dealing with emergence of a risk of considerable loss to the Company. Based on these Rules, an “Risk Management Committee” will be held by the Representative Director when there is a need to deal with such a risk.

(4) Arrangements to Ensure that Performance of Duties by the Directors is Efficient

Arrangements to implement work efficiently based on management policy as decided by the Board of Directors are to be made, and responsibility for implementation and authority are to be clearly defined.

- i) In addition to clarifying the scope of responsibility of each executive officer, in accordance with the “Executive Officer System,” by establishment of an Executive Officers Committee as the entity for dynamic decision-making and for carrying out decisions, the decisions and the performance of work are to be made more efficiently and speedily.
- ii) The Board of Directors is to determine policy for the performance of management, decide on important matters relating to management that are required by laws and regulations, and oversee the status of implementation of work based on that policy and those requirements.

- iii) The Board of Directors is to formulate business plans based on its management policies that take into account trends in the business environment, and each division or department is to develop its own action plan based on those plans.
- iv) Routine performance of work is to be on the basis of the “Job Authority Rules” and the “Work Allocation Rules”, whereby the responsibility and authority of each director or each executive officer is to be clearly defined so that work can be performed efficiently.

(5) Arrangements to Ensure Optimum Performance by the Group

Improvements are to be made as follows to ensure optimum performance by the Group:

- i) Efforts will be made to ensure the appropriateness of all work taking place within the Group by revising the mission statement, management principles and behavioral guidelines common to the members of the Group as well as the “NIS Ethical Standard” as appropriate and in accordance with necessity, and publicizing the mission statement, management principles, behavioral guidelines, and “NIS Ethical Standard” thoroughly among the whole Group.
- ii) The “Strategic Planning Department” will work closely with the “Compliance Control Department” to harmonize operations of the Group and will work at improving arrangements for control of Group activities on the basis of the “Control Rules for Related Companies” and other internal rules.
- iii) Efforts will be made to promote thorough compliance by ensuring that all directors and employees are fully aware of the existence of the “Whistleblower System,” and that it is used effectively.

(6) Personnel Support for the Statutory Auditors When It Is Requested

Staff dedicated to the support of the work of the Statutory Auditors will be assigned in the event that such staff is requested, and released departments, particularly the “Compliance Control Department,” will also provide support.

(7) Ensuring the Independence of Support Staff of the Statutory Auditors

- i) When support staff has been provided for the Statutory Auditors, the approval of the Statutory Auditors will be required for re-assignment, performance evaluation and penalties and rewards to the staff.
- ii) When a support staff has been provided for the Statutory Auditors, the staff who performs duties in connection with auditing processes under the control of the Statutory Auditors is independent of instructions or orders from Directors and supervisors.

(8) Arrangements for Reporting by Directors and Staff to the Statutory Auditors, and Other Reporting to the Statutory Auditors

- i) In accordance with the “Regulations of the Board of Statutory Auditors” and the “Statutory Auditor’s Rules for Audits”, all Directors and staff are to report to and provide information to the Statutory Auditors as requested.
- ii) Major items that would be the subject of such supply of information are as follows:
 - Factual instances of violations of laws and regulations; facts that have been discovered to have the potential of causing major damage to the Group
 - Status of establishment of the internal control system, and status of its functioning
 - Business conditions of all members of the Group; status of activities by the Statutory Auditors and the “Compliance Control Department.”
 - Status of functioning of and contents of reports from the internal reporting system
 - Details of business performance and performance forecasts; important disclosure items related to financial statements
 - Important accounting policies of the Company and of the Group; change in accounting standards and the influence thereof
 - Other important matters related to compliance
- iii) The Statutory Auditors can request, when necessary, that Group audit personnel report to them on conditions associated with the internal governance system and the status of audits.

(9) Arrangements to Ensure Effective Audits by the Statutory Auditors

The following are to be observed for the sake of effective audits by the Statutory Auditors:

- i) Access to meetings of the Board of Directors and other important meetings is to be assured, and Auditors are to have the right to access important company information, that is based on the “Regulations of the Board of Statutory Auditors” and the “Statutory Auditor’s Rules for Audits”.
- ii) The Company assures that when the Statutory Auditors deem it necessary for performance of their duties that the Board of Statutory Auditors can engage outside specialists such as attorneys and certified public accountants.
- iii) In order that the Statutory Auditors can discharge their audit duties, they are to confer with the independent certified public accountant, Group audit personnel and others, and on that basis are to prepare audits plans.
- iv) All members of the Board of Statutory Auditors or a Statutory Auditor representing the Board are to hold regularly scheduled meetings with Representative Directors of each company of the Group, and in addition to ascertaining the policies of those Representative Directors, are to exchange opinions with them on issues confronted by the companies, risks encountered by the companies, the status of improvement of the environment for audits by the Statutory Auditors, material issues related to audits, and other important matters.
- v) In order to improve the effectiveness of the audits of the Group as a whole, the Statutory Auditors of the companies of the Group shall hold “Group Audit Meetings” as needed basis as cross-sectional liaison meetings, and share information pertaining to the audit policies of the Group overall, questions at issue and audit work.

Consolidated Balance Sheet
(As of March 31, 2010)

	March 31, 2010
	Amount
	(In millions)
ASSETS:	
Current Assets:	
Cash and deposits	¥ 5,097
Loans receivable	22,188
Receivables from guarantees paid	4,056
Real estate for sale	3,497
Real estate under construction for sale	6,193
Other	2,833
Allowance for loan losses	(3,892)
	39,974
Fixed Assets:	
Tangible fixed assets:	
Buildings and structures	3
Equipment	32
	36
Intangible fixed assets:	
Software	28
Other	11
	39
Investment and other assets:	
Investment securities	9,115
Long-term loans	7,952
Bankrupt and delinquent loans receivable	42,712
Other	2,395
Allowance for loan losses	(29,981)
Total investment and other assets	32,193
Total Fixed Assets	32,269
Deferred Assets:	
Deferred bond issuance costs	33
Total Deferred Assets	33
Total Assets	¥72,277

	March 31, 2010
	Amount
	(In millions)
LIABILITIES:	
Current Liabilities:	
Accounts payable	¥ 11
Short-term borrowings	22,497
Current portion of long-term borrowings	6,500
Obligations under security buy-back agreements	7,200
Accrued income taxes	1,298
Reserve for guarantee losses	1,022
Reserve for losses on relocation of offices	30
Other	2,227
Total Current Liabilities	40,787
Long-term Liabilities:	
Bonds	3,236
Long-term borrowings	4,282
Accrued retirement benefits for directors	27
Reserve for losses on excess interest repayments	10,100
Reserve for losses on businesses of affiliated companies	1,466
Other	741
Total Long-term Liabilities	19,853
Total Liabilities	60,641
NET ASSETS:	
Shareholders' Equity:	
Common stock	26,289
Additional paid-in capital	30,180
Accumulated deficit	(49,642)
Treasury stock	(3,893)
Total Shareholders' Equity	2,934
Valuation and Translation Adjustments:	
Unrealized gains on investment securities	436
Deferred gains on hedging instruments	163
Foreign currency translation adjustments	(9)
Total Valuation and Translation Adjustments	591
Minority Interest	8,110
Total Net Assets	11,636
Total Liabilities and Net Assets	¥72,277

Note: The above statement amounts are rounded down to the nearest million yen.

Consolidated Statement of Operations
(For the fiscal year ended March 31, 2010)

	Year Ended March 31, 2009
	Amount
	(In millions)
Operating Revenues	¥ 10,866
Operating Expenses	8,407
Net Operating Revenues	2,458
Selling, General and Administrative Expenses	9,631
Operating Losses	7,172
Other Income:	
Interest received	298
Dividends received	69
Guarantee fees received	168
Equity in gains on affiliates accounted for under the equity method	226
Gains on foreign exchange	427
Other	46
Total Other Income	1,236
Other Expenses:	
Interest expenses	1,752
Losses on investment funds	215
Other	40
Total Other Expenses	2,008
Ordinary Losses	7,944
Special Gains:	
Gains on sales of fixed assets	0
Gains on sales of investment securities	8
Gains on sales of investment in affiliated companies	1,591
Gains on change in equity interest	98
Gains on reversal of reserve for guarantee losses	350
Gains on reversal of reserve for losses on relocation of offices	125
Gains on reversal of reserve for losses on businesses of affiliated companies	750
Gains on retirement of bonds repurchased	4,306
Gains on forgiveness of debt	843
Other	128
Total Special Gains	8,202
Special Losses:	
Losses on sales of fixed assets	0
Losses on disposal of fixed assets	3
Losses on impairment	80
Losses on sales of investment securities	140
Losses on impairment of investment securities	852
Losses on impairment of investment in affiliated companies	79
Provision for losses on relocation of offices	30
Other	47
Total Special Losses	1,234
Losses before Income Taxes and Minority Interest	975
Income Taxes	14
Minority Interest in Net Income of Subsidiaries	11
Net Losses	¥ 1,001

Note: The above statement amounts are rounded down to the nearest million yen.

Consolidated Statement of Changes in Net Assets

(April 1, 2009~ March 31, 2010)

	Shareholders' Equity				
	Common stock	Additional paid-in capital	Accumulated Deficit	Treasury stock	Total shareholders' equity
	(In millions)				
Balance as of March 31, 2009	¥26,289	¥30,180	¥(48,711)	¥(3,893)	¥ 3,864
Changes in items for the fiscal year ended March 31, 2010:					
Net losses	-	-	(1,001)	-	(1,001)
Purchases of treasury stock	-	-	-	(0)	(0)
Changes in the scope of consolidation	-	-	(0)	-	(0)
Changes in the scope of application of the equity method	-	-	71	-	71
Net changes in items other than shareholders' equity	-	-	-	-	-
Total changes for the fiscal year ended March 31, 2010	-	-	(930)	(0)	(930)
Balance as of March 31, 2010	¥26,289	¥30,180	¥(49,642)	¥(3,893)	¥ 2,934

	Valuation and Translation Adjustments					
	Unrealized (losses) gains on investment securities	Deferred gains (losses) on hedging instruments	Foreign currency translation adjustments	Total valuation and translation adjustments	Minority interest	Total net assets
	(In millions)					
Balance as of March 31, 2009	¥(148)	¥ 783	¥ -	¥634	¥11,520	¥16,019
Changes in items for the fiscal year ended March 31, 2010:						
Net losses	-	-	-	-	-	(1,001)
Purchases of treasury stock	-	-	-	-	-	(0)
Changes in the scope of consolidation	-	-	-	-	-	(0)
Changes in the scope of application of the equity method	-	-	-	-	-	71
Net changes in items other than shareholders' equity	585	(619)	(9)	(43)	(3,410)	(3,453)
Total changes for the fiscal year ended March 31, 2010	585	(619)	(9)	(43)	(3,410)	(4,383)
Balance as of March 31, 2010	¥ 436	¥ 163	¥(9)	¥591	¥ 8,110	¥11,636

Note: The above statement amounts are rounded down to the nearest million yen.

I. Going Concern

The Group has continuously recorded material operating losses, ordinary losses and net losses since the fiscal year ended March 31, 2008. In addition, the Group recorded operating losses of ¥7,172 million, ordinary losses of ¥7,944 million and net losses of ¥1,001 million for the year ended March 31, 2010, 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 implemented a rehabilitation plan for reorganization of the Group's business structure, reinforcement of a stable capital base and establishment of a lean organization structure. The Group will increase its efforts to achieve early improvement of its business performance by steadily overcoming the following challenges:

1. 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 and trading support business in which the Group has started full-scale operation during the fiscal year ended March 31, 2010, the Group is engaging in trading support services in order to respond various needs of mid-sized SMEs such as factoring services related to international trading, 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.

2. Reinforcement of a stable capital base

Based on an agreement with Small and Medium-sized Enterprises Guarantee Co., Ltd. with regard to a strategic capital and business alliance, Small and Medium-sized Enterprises Guarantee Co., Ltd., Incubator Bank of Japan, Limited and others have provided necessary financial support in order for the Company to establish a stable capital base. In addition, the Group sold nine (9) real-estate properties held for sale for the fiscal year ended March 31, 2010, and is striving to reduce its interest-bearing debt through reduction of assets by continuously selling real estate held for sale and collecting loans receivable.

3. Continuous improvement of the Group's cost structure

In order to improve management efficiency through concentration in areas of core competence, the Group implemented cost reduction such as relocation of its headquarters and outsourcing of its operations for the fiscal year ended March 31, 2010. The Group is striving to continuously reduce its costs through improvement of its cost structure from every aspect of operations.

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 losses on excess interest repayments and loan losses-related expenses on notes and loans receivable is highly dependent on external factors with uncertainties.

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

II. Significant Items Reflected in the Preparation of the Consolidated Financial Statements

1. Scope of consolidation

- (1) Consolidated subsidiaries
 - i) Number of consolidated subsidiaries: 30 companies
 - ii) Names of consolidated subsidiaries: NI Strategic Partners Co., Ltd., Agasta Co., Ltd., Shuho (Shanghai) Trading Co., Ltd., Stellar Hills TMK, Japan Incubation Fund Investment Business Partnership, CM & N LLC, Revival Fund LLC, and 23 other companies
 - iii) During the year ended March 31, 2010, six companies, including Revival Fund LLC, became consolidated subsidiaries through new establishment, four companies, including Agasta Co., Ltd. and Shuho (Shanghai) Trading Co., Ltd., became consolidated subsidiaries through acquisition of shares.
 - iv) Two companies, including Aries Co., Ltd., were excluded from the scope of consolidation as a result of redemption of investment in *Tokumei-Kumiai*, two companies, including Seizanso C.C. Management LLC, were excluded from the scope of consolidation due to transfer of the Company's ownership interest, and two companies, including NIS Hakodate-Honcho Hotel LLC, were excluded from the scope of consolidation as a result of completion of liquidation.
 - v) Shuho (Shanghai) Investment & Consulting Co., Ltd. changed its company name to Shuho (Shanghai) Trading Co., Ltd. on March 29, 2010
- (2) Unconsolidated subsidiaries
 - i) Number of unconsolidated subsidiaries: 1 company
 - ii) Names of unconsolidated subsidiaries: Japan Innovation Fund Co., Ltd.
 - iii) Japan Innovation Fund Co., Ltd. is excluded from the scope of consolidation because the Company's control over the decision-making body of Japan Innovation Fund Co., Ltd. is only temporary during its start-up period.

2. Application of the equity method

The equity method is applied to all affiliates.

- (1) Number of affiliates accounted for under the equity method: 13 companies
- (2) Names of affiliates accounted for under the equity method: NIS Lease Co., Ltd., Woodnote Corporation, Nippon Real Estate Rating Services Co., Ltd., Food Papa Co., Ltd., Bay City Service Co., Ltd., Good Winner (Hong Kong) Limited, and 7 other companies
- (3) Name of unconsolidated subsidiary not accounted for under the equity method: Japan Innovation Fund Co., Ltd.
Reason not to apply the equity method: Japan Innovation Fund Co., Ltd. is excluded from the application of the equity method because the Company's control over the decision-making body of Japan Innovation Fund Co., Ltd. is only temporary during its start-up period.
- (4) During the year ended March 31, 2010, five companies, including Food Papa Co., Ltd., NIS Value Up Fund I Investment Business Partnership, became affiliates accounted for under the equity method through new establishment, three companies, including Bay City Service Co., Ltd. and Good Winner (Hong Kong) Co., Ltd., became affiliates accounted for under the equity method through acquisition of shares, and La Parler Co., Ltd. became an affiliate accounted for under the equity method taking into consideration the Company's influence through joint investment with other companies.

- (5) Three companies, including Nissin Servicer Co., Ltd., Credit Organization of Small and Medium-sized Enterprises Co., Ltd., were excluded from the application of the equity method due to a decrease in the Company's voting rights as a result of sales of its shares, three companies, including Real Estate Organization of Small and Medium-sized Enterprises Co., Ltd., were excluded from the application of the equity method due to a decrease in the Company's voting rights as a result of a third-party allotment, La Parler Co., Ltd. was excluded from the application of the equity method due to a decrease in the Company's influence through joint investment with other companies, and NIS STBi Fund was excluded from the application of the equity method as a result of dissolution.
- (6) Although the Group does not substantially hold control over each decision-making body of the following investment business partnerships, the equity method is applied to NIS Incubation Fund I Investment Business Partnership, NIS Partners Fund I Investment Business Partnership, NIS Value Up Fund I Investment Business Partnership, NIS Value Up Fund II Investment Business Partnership, NIS Value Up Fund III Investment Business Partnership and World Sports Fund Investment Business Partnership, because NI Strategic Partners Co., Ltd., a consolidated subsidiary, serves as a managing partner of these investment business partnerships and, accordingly, the Group could exercise significant influence over them.
- (7) If the balance sheet date of an affiliate accounted for under the equity method is different from that of the consolidated financial statements, the consolidated financial statements are prepared by using such affiliate's financial statements for the relevant fiscal year with the exception of Bay City Service Co., Ltd.

In addition, the consolidated financial statements as of and for the year ended March 31, 2010 were prepared by using Bay City Service's provisional settlement of accounts on February 28, 2010.

3. Balance sheet dates of consolidated subsidiaries

The balance sheet dates of consolidated subsidiaries which are different from the date of the Group's consolidated balance sheet date are as follows:

Balance Sheet Date	Number of companies	Balance Sheet Date	Number of companies
December 31	12 companies	September 30	2 companies
February 28	1 company	October 31	1 company
May 31	1 company	November 30	1 company
June 30	1 company		

For six consolidated subsidiaries listed above with balance sheet dates which are different from the consolidated balance sheet date for more than three months, the consolidated financial statements are prepared by using their provisional settlement of accounts within three months from the consolidated balance sheet date.

However, significant transactions that occurred between the dates described above and the consolidated balance sheet date are adjusted.

4. Significant accounting policies

- (1) Valuation and Methods for Computation of Assets

- i) Investment securities

Other securities:

Marketable securities

Market value is determined by the market price at fiscal year-end.

(Marketable securities are carried at market value with unrealized gains and losses. The unrealized gains and losses, net of taxes, are reported as a separate component of "NET ASSETS." Cost of securities sold is computed using the moving average method.)

Non-marketable securities

Cost method, cost being determined by the moving average method.

In addition, with respect to capital contributions to limited partnerships which operate as investment funds or similar organizations, the Group determines the valuation based on the Group's interest in their asset value.

ii) Derivatives

Market value method

iii) Inventories

Real estate for sale and real estate under construction for sale
Cost method (write-downs due to decreased profitability of assets)

(2) Depreciation and Amortization of Fixed Assets

i) Tangible fixed assets, except leased assets

Tangible fixed assets are amortized using the declining balance method. However, depreciation of buildings newly acquired on or after April 1, 1998, excluding building improvements, is computed using the straight-line method.

ii) Intangible fixed assets, except leased assets

Internal-use software costs are amortized using the straight-line method over five years, which is the estimated useful life.

iii) Long-term prepaid expenses

Long-term prepaid expenses are amortized using the straight-line method.

(3) Allowance and Reserve for Losses, and Accrued Expenses

i) Allowance for loan losses

Allowance for loan losses is maintained at a level that is adequate to provide for the estimated amount of loan losses. It is calculated by applying a percentage derived from past collection experience with respect to general loans, and by individually estimating uncollectible amounts with respect to certain doubtful loans.

ii) Reserve for guarantee losses

Reserve for guarantee losses is maintained at a level that is adequate to provide for estimated probable guarantee losses as of the end of the corresponding year.

iii) Reserve for losses on relocation of offices

Reserve for losses on relocation of offices is provided at an amount based on a reasonable estimation for losses on disposal of fixed assets, restoration costs, and other related expenses which would be expected to be incurred for scheduled office relocations.

iv) Reserve for losses on excess interest repayments

Reserve for losses on excess interest repayments is provided, in order to prepare for refund claims from borrowers for repayments of interest in excess of the prescribed rate stipulated by the Interest Rate Restriction Law, at an amount based on a reasonable estimation taking into account past experience and current condition.

In addition, ¥1,330 million was included in "Allowance for loan losses" as of March 31, 2010, in order to prepare for refund claims from borrowers for repayments of interest in excess of the prescribed rate stipulated by the Interest Rate Restriction Law.

v) Accrued retirement benefits for directors

Accrued retirement benefits of the Group's directors are provided at an amount which would have been required if all directors had terminated their services as of the balance sheet date. These amounts are determined in accordance with the Group's internal rules.

vi) Reserve for losses on businesses of affiliated companies

Reserve for losses on businesses of affiliated companies is provided at an amount based on a reasonable estimation in order to prepare for losses on guarantees of loans receivable and indemnification for losses on excess interest repayments of Credit Organization of Small and Medium-sized Enterprises Co., Ltd. (“COS”), a former affiliate accounted for under the equity method, and a transferee of loans receivable from COS.

(4) Foreign Currency Translations

Receivables and payables denominated in foreign currencies are translated into yen at the spot exchange rate in effect as of the balance sheet date, and differences arising from the translation are included in the statements of operations.

The assets and liabilities of foreign consolidated subsidiaries are translated into yen at the spot exchange rate in effect as of the balance sheet date of each subsidiary. Revenue and expense accounts are translated at the average exchange rate in effect during the fiscal year. Translation adjustments are included in “Valuation and Translation Adjustment” of “NET ASSET.”

(5) Hedging Activities

i) Accounting for hedging activities

With respect to interest rate swaps of a consolidated subsidiary, special treatment is adopted since they meet the requirements for such treatment.

ii) Hedge instruments and hedge items

Hedge instruments: Interest rate swaps

Hedge items: Interest on borrowings

iii) Hedging policy

Hedging activities are utilized in order to reduce exposure to fluctuations in interest rates on borrowings.

iv) Evaluation of hedge effectiveness

Evaluation of hedge effectiveness for interest rate swaps as of the balance sheet date is omitted due to adoption of the special treatment.

In addition, the Company cancelled derivative transactions in the past fiscal year and terminated adoption of hedge accounting. Accordingly, gains and losses of the hedging instruments at the time of termination will be deferred until gains and losses of the hedge items are recognized.

(6) Other Significant Accounting Policies for the Preparation of Consolidated Financial Statements

i) Interest income from notes and loans receivable

Interest income from notes and loans receivable is recognized on an accrual basis.

However, accrued interest income is recognized at the lower of the contractual interest rate or the restricted rate stipulated by the Interest Rate Restriction Law in Japan.

ii) Classification of financial costs

Total assets are classified as operating assets related to integrated financial services and other assets, and financial costs corresponding to such operating assets are treated as “Operating Expenses” and financial costs corresponding to other assets are treated as “Other Expenses,” in proportion to the balance of each such class of assets.

iii) Accounting treatment of consumption taxes

Consumption taxes are excluded from transaction amounts.

In addition, consumption taxes not subject to the exclusion are treated as expense for the corresponding year.

5. Evaluation of assets and liabilities of consolidated subsidiaries

The fair market value method is used to reflect the acquisitions of consolidated subsidiaries.

6. Amortization of goodwill

Goodwill is amortized using the straight-line method over five years.

7. Changes in significant items relating to the preparation of consolidated financial statements

Changes in Presentation

(Consolidated Balance Sheet)

“Operational investment securities,” which was presented as a separate item as of March 31, 2009, is included in “Other” in “Current Assets” as of March 31, 2010 as the amount became less than 1% of total assets. The amount of “Operational investment securities” as of March 31, 2010 was ¥1 million.

(Consolidated Statement of Operations)

- i. “Gains on reversal of reserve for losses on businesses of affiliated companies,” which was included in “Other” in “Special Gains” for the year ended March 31, 2009, is presented as a separate item for the year ended March 31, 2010 as the amount became significant for the financial reporting purposes. The amount of “Gains on reversal of reserve for losses on businesses of affiliated companies” for the year ended March 31, 2009 was ¥397 million.
- ii. “Compensation income,” which was presented as a separate item for the year ended March 31, 2009, is included in “Other” in “Special Gains” for the year ended March 31, 2010 as the amount became less than 10% of the total “Special Gains.” The amount of “Compensation income” for the year ended March 31, 2010 was ¥39 million.

III. Notes to the Consolidated Balance Sheet

	(Millions of yen)
1. Accumulative depreciation of tangible fixed assets	132
2. Assets pledged and collateralized borrowings	
(1) Assets pledged as collateral:	
Cash and deposits	851
Loans Receivable	12,579
Receivables from guarantee paid	1,582
Real estate for sale	3,497
Real estate under construction for sale	6,193
Investment securities	4,058
Long-term loans	4,650
Bankrupt and delinquent loans receivable	521
Investment and other assets (Other)	1,204
(2) Corresponding borrowings secured by the above collateral:	
Short-term borrowings	14,320
Current portion of long-term borrowings	2,468
Long-term borrowings	2,134

With respect to investment securities presented above, ¥2,504 million is pledged as comprehensive collateral for borrowings, guarantee transactions and business alliance. In addition, investment securities of ¥1,346 million are pledged as collateral for a securities purchase agreement.

In addition to the above assets, the Group pledged loans receivable of ¥290 million, investment securities of ¥412 million and TMK bonds (bonds issued by *Tokutei Mokuteki Kaisha*) of ¥2,000 million issued by a consolidated subsidiary, which was eliminated in consolidation, as collateral for borrowings, as well as loans receivable of ¥154 million and bankrupt and delinquent loans receivable of ¥2 million as collateral for borrowings of Nissin Servicer Co., Ltd.

Also, the Group sold its TMK bonds issued by a consolidated subsidiary, and pledged investment in an investment fund as collateral in order to raise funds. However, since the transfer agreement includes a repurchase clause and the TMK bonds are expected to be repurchased in a short term, this transaction is recognized as a financial transaction. Proceeds from sales of TMK bonds are recorded as “Obligation under securities buy-back agreements.” In addition, the aforementioned TMK bonds and investment in an investment fund were eliminated in consolidation in the amount of ¥7,200 million and ¥345 million, respectively.

3. Commitments and contingencies

(1) Guarantee liabilities concerning guarantee business ¥11,271 million

(2) Guarantees for receivables held by Credit Organization of Small and Medium-sized Enterprises Co., Ltd. (including guarantees for loans receivable which were transferred to a third party) ¥541 million

In addition to the above, the Company has to indemnify Credit Organization of Small and Medium-sized Enterprises Co., Ltd. (“COS”), a former affiliate accounted for under the equity method, until February 28, 2013, for losses that COS incurs due to claim for excess interest repayments raised by customers to whom COS lent money on or before March 3, 2008. Although it is difficult to estimate the amount of this liability, the Company estimated the amount of such losses as being ¥754 million, included in “Reserve for losses on businesses of affiliated companies.”

(3) Guarantees for borrowings of Nissin Servicer Co., Ltd. ¥6,009 million

IV. Notes to the Consolidated Statement of Changes in Net Assets

1. The type and the number of outstanding shares as of the end of the fiscal year ended March 31, 2010 are as follows:

(Thousands of shares)

Type of Share	March 31, 2009	Increase	Decrease	March 31, 2010
Common Stock	245,894	-	-	245,894

2. The type and number of shares attributable to stock acquisition rights, except those for which the first day of the period for exercise of the rights has not yet arrived, are as follows.

Common Stock: 8,750,000

All rights are for acquisition of own stock.

V. Notes to Financial Instruments

1. Details of financial instruments

(1) Policies on Financial Instruments

The Group mainly engages in integrated financial services such as investment banking business, credit guarantee business, and secured and unsecured lending to SMEs in Japan. The Group derives the funds required for these businesses from indirect financing through borrowings from banks as well as direct financing partly through issuances of bonds.

Since the Group holds the financial assets and liabilities with interest rate fluctuations as described above, in order to avoid adverse influence, the Group manages interest rate risks caused by timing difference in cash flows between lending, or assets, and funding, or liabilities (the “ALM Risks”). In addition, the Group appropriately manages risks in order to avoid inability to obtain funds on favorable terms or at all (the “Funding and Liquidity Risks”) by collecting and analyzing information on funding and liquidity.

In addition, the Group’s policies on fund management place emphasis on safety, and the Group utilizes derivative financial instruments in order to reduce its exposure to fluctuations in interest rates on borrowings

(2) Details and Risks of Financial Instruments

The Group’s financial assets mainly comprise loans receivable and receivables from guarantee paid targeted at consumers, SMEs and their owners, and these assets are exposed to credit risk of default by customers. Loans receivable of ¥22,188 million as of March 31, 2010 are mainly derived from secured and unsecured lending business in Japan, and changes in the economic environment may cause default of contract.

In addition, securities and investment securities mainly comprise equity securities, bonds and investment in investment funds, and the Group intends to hold these securities for investment or business alliances. These are exposed to credit risks of issuers, risks of fluctuations in interest rates, and risks of stock price volatility.

Furthermore, funds procurement is exposed to the Funding and Liquidity Risks.

(3) Risk Management of Financial Instruments

i) Credit risk management

The Group appropriately operates its loan business by maintaining the “Regulation of Loans” which stipulates basic matters concerning the loan business of the Company and the “Operation Manual” which stipulates details associated with the “Regulation of Loans,” as well as the “Job Authority Rules” which stipulate approval authorities in proportion to the amount of loan origination. The credit management is mainly controlled by the Credit Screening Group of Strategic Planning Department. In addition, the “Large Credit Review Meeting and Credit Screening Committee” is held as needed.

With respect to credit risks of issuers of securities, the Finance & Accounting Group of Strategic Planning Department obtains information about their market values on regular basis. In addition, the Credit Screening Group of Strategic Planning Department obtains information from outside credit research companies such as Teikoku Data Bank for the use of credit management.

ii) Market risk management

(a) Risk management of interest rate

In order to avoid the ALM Risks, the Group collects and analyzes information regarding external environment such as necessary figures and fluctuations in interest rates in its Finance & Accounting Group of Strategic Planning Department. In addition, reference material such as information regarding maturity ladder is prepared and reported monthly at the Board of Directors meeting.

(b) Risk management of exchange rate

The Group does not currently enter into an exchange contract taking into consideration the costs of risk hedging. However, the Group intends to minimize exchange risks by minimizing the balance of foreign currency-denominated bonds. The Group may enter into an exchange contract as needed in the future.

In addition, with respect to U.S. dollar which is the main transaction currency, its exchange rate at the end of each month is reported at the Board of Directors meeting by the Finance & Accounting Group of Strategic Planning Department.

(c) Risk management of stock price volatility

The Group appropriately manages risks of securities in the investment business in accordance with the “Regulations of Investment Business Operations”. Investment decision is made based on the “Job Authority Rules” and investee companies are administered based on authority and responsibility of the General Manager of the Investment Banking Department. In addition, investment securities are controlled by the Investment Banking Department and reported at the Board of Directors meeting on regular basis.

(d) Risk management of derivative transactions

The Group appropriately manages risks of derivative transactions by maintaining the “Regulation of Derivative Operations” which stipulates appropriate risk management and standards for smooth operations, and the “Regulation of Derivative Transactions” which stipulates standards for management and supervision of derivative transactions after conclusion of contracts.

iii) Management of Funding and Liquidity Risks

The Group appropriately manages risks in order to obtain funds on favorable terms by collecting and analyzing information on funding and liquidity as well as by utilizing various funding methods. In particular, the Group entered into overdraft agreements and loan commitment agreements with several banks and companies. In addition, funding situation is reported at the Board of Directors meeting on regular basis.

(4) Supplementary Notes on Financial Instruments

The fair value of financial instruments includes the amounts based on a reasonable estimation if the financial instruments have no market value, in addition to the amounts based on the market prices. The said amounts are calculated under certain conditions, and the results could differ if these conditions change.

2. Fair value of financial instruments

Carrying value, fair value and their difference as of March 31, 2010 are as follows. In addition, financial instruments of which fair values are extremely difficult to figure out are not included in the following table. See "Note 2" for details.

(Millions of yen)

	Carrying Value	Fair Value	Difference
(1) Cash and deposits	5,097	5,097	-
(2) Loans receivable	22,188		
Allowance for loan losses (*1)	(3,079)		
	19,109	19,109	-
(3) Receivables from guarantee paid	4,056		
Allowance for loan losses (*2)	(770)		
	3,285	3,285	-
(4) Investment securities			
Other securities	2,322	2,322	-
(5) Long-term loans	7,952		
Allowance for loan losses (*3)	(49)		
	7,903	7,903	-
(6) Bankrupt and delinquent loans receivable	42,712		
Allowance for loan losses (*4)	(29,905)		
	12,807	12,807	-
Total assets	50,525	50,525	-
(1) Short-term borrowings	22,497	22,497	-
(2) Obligations under security buy-back agreements	7,200	7,200	-
(3) Bonds	3,236	2,475	(761)
(4) Long-term borrowings (*5)	10,782	10,344	(438)
Total liabilities	43,715	42,516	(1,199)
Derivative transactions			
i) Not accounted for by hedge accounting	-	-	-
ii) Accounted for by hedge accounting	-	-	-
Total derivative transactions	-	-	-

(*1) Allowance for general loans and certain doubtful loans corresponding to loans receivable is deducted.

(*2) Allowance for certain doubtful loans corresponding to receivables from guarantee paid is deducted.

(*3) Allowance for certain doubtful loans corresponding to long-term loans is deducted.

(*4) Allowance for certain doubtful loans corresponding to bankrupt and delinquent loans receivable is deducted.

(*5) Current portion of long-term borrowings is included.

(Note 1) Method of calculation of fair values of financial instruments and details of securities and derivative transactions is as follows:

Assets

(1) Cash and deposits

The carrying value of deposits is recognized as their fair value because all deposits are short-term and, accordingly, the fair value approximates their carrying value.

(2) Loans receivable

With respect to loans receivable, allowance for loan losses is provided by estimating amounts collectible from collateral and guarantee and, accordingly, the fair value approximates their carrying value as of the balance sheet date after the deduction of allowance for loan losses; therefore, the said amount is recognized as the fair value of loans receivable.

(3) Receivables from guarantee paid

With respect to receivables from guarantee paid, allowance for loan losses is provided by estimating amounts collectible from collateral and guarantee and, accordingly, the fair value approximates their carrying value as of the balance sheet date after the deduction of allowance for loan losses; therefore, the said amount is recognized as the fair value of receivables from guarantee paid.

(4) Investment securities

With respect to equity securities, prices on the exchange are recognized as their fair value, and with respect to bonds, the fair value is calculated based on the present value derived from discounted future cash flows by using the interest rate adjusted by the maturity date and credit risk.

i) Marketable securities included in other securities are as follows:

	Cost	Carrying Value	Difference
(Millions of yen)			
Carrying value exceeding costs:			
Equity securities	1,093	2,056	962
Sub-total	1,093	2,056	962
Carrying value not exceeding cost:			
Equity securities	301	228	(72)
Bonds	46	37	(9)
Sub-total	347	266	(81)
Total	1,441	2,322	880

ii) Other securities sold during the year ended March 31, 2010 are as follows:

Sales Proceeds	Gains on Sales	Losses on Sales
345	8	140

(Millions of yen)

iii) Investment securities impaired during the year ended March 31, 2010 were ¥852 million.

iv) The redemption schedule of other securities with maturity is as follows:

	1 Year or Less	Over 1 Year to 5 Years	Over 5 Years to 10 Years	Over 10 Years
(Millions of yen)				
Bonds (other securities)				
Bonds	-	37	-	-
Total	-	37	-	-

(5) Long-term loans

With respect to long-term loans, the fair value is calculated based on the present value derived from discounted future cash flows by using the interest rate adjusted by the maturity date and credit risk. In addition, with respect to certain doubtful loans, the fair value is calculated based on estimated collectible amounts from collateral and guarantee.

(6) Bankrupt and delinquent loans receivable

With respect to bankrupt and delinquent loans receivable, allowance for loan losses is provided by estimating amounts collectible from collateral and guarantee and, accordingly, the fair value approximates their carrying value as of the balance sheet date after the deduction of allowance for loan losses; therefore, the said amount is recognized as the fair value of bankrupt and delinquent loans receivable.

Liabilities

(1) Short-term borrowings

The carrying value of short-term borrowings is recognized as their fair value because these are settled in a short-term and, accordingly, the fair value approximates their carrying value.

(2) Obligations under securities buy-back agreements

The carrying value of obligation under securities buy-back agreements is recognized as their fair value because obligations under securities buy-back agreements are settled in a short-term and, accordingly, the fair value approximates their carrying value.

(3) Bonds

With respect to bonds issued by the Company, the fair value is calculated based on the present value derived from the total amount of principal and interest discounted by the interest rate adjusted by the remaining life and credit risk of the bonds.

(4) Long-term borrowings

With respect to long-term borrowings, the fair value is calculated based on the present value derived from the total amount of principal and interest discounted by the expected interest rate of the similar new borrowings.

Derivative transactions

i) Derivative transactions not accounted for by hedge accounting

Stock-related transactions

(Millions of yen)				
	Type	Contract Amount	Market Value	Unrealized Gains/Losses
Non-market transactions	Option trading			
	Sell Put	2,636	-	-
	Buy Call	2,636	-	-
Total		-	-	-

(Note) The option trading above is a zero cost option without option fees. The Company entered into the option contract jointly with several other companies, and the contract amounts above are presented in the gross amount. In addition, with respect to the zero cost option, the market value and unrealized gains/losses of sell and buy are offset and presented in the net amount.

ii) Derivative transactions accounted for by hedge accounting

Currency-related transactions

The Group cancelled derivative transactions, which had been utilized as hedging instruments, in the past fiscal year and terminated adoption of hedge accounting. Accordingly, gains and losses of the hedging instruments at the time of termination are deferred until gains and losses of the hedged items are recognized.

Interest rate-related transactions

(Millions of yen)					
Accounting for Hedging Activities	Type	Hedge Items	Contract Amount	Due After One Year	Fair Value
Special treatment for interest rate swaps	Interest rate swaps Fixed interest rate payment Variable interest rate receipt	Long-term borrowings	75	55	(Note)

(Note) The fair value of interest rate swaps accounted for by special treatment is included in the fair value of the corresponding long-term borrowings because they are treated together with the hedge items, or long-term borrowings.

(Note 2) Financial instruments of which fair values are extremely difficult to figure out are as follows:

(Millions of yen)	
	Carrying Value
Non-listed equity securities	4,426
Investment in investment funds	2,366
Other	0
Total	6,793

The above financial instruments are not included in the "(4) Investment securities" because they have no market values and it is recognized as extremely difficult to figure out their fair values.

(Note 3) The redemption schedule of money claims with maturity is as follows:

(Millions of yen)

	1 Year or Less	Over 1 Year to 5 Years	Over 5 Years to 10 Years	Over 10 Years
Cash and deposits	-	-	3,236	-
Loans receivable	6,500	2,544	1,662	64
Receivables from guarantee paid (*1)				
Long-term loans (*2)	7,200	-	-	-
Total	13,700	2,544	4,898	64

(*1) Of the receivables from guarantee paid, ¥2,542 million is excluded from the above table as redemption schedule could not be estimated

(*2) Of the long-term loans, ¥49 million is excluded from the above table as redemption schedule could not be estimated

(Note 4) The repayment schedule of bonds, long-term borrowings and other interest-bearing debt is as follows:

(Millions of yen)

	1 Year or Less	Over 1 Year to 2 Years	Over 2 Years to 3 Years	Over 3 Years to 4 Years	Over 4 Years to 5 Years
Bonds	-	-	3,236	-	-
Long-term borrowings	6,500	2,544	1,662	64	10
Obligations under securities buy-back agreements	7,200	-	-	-	-
Total	13,700	2,544	4,898	64	10

V. Per Share Data

1. Net assets per share ¥14.72
2. Net losses per share ¥4.18

VI. Other Notes

(Gains on forgiveness of debt)

“Long-term borrowings” decreased due to forgiveness of a part of its debt at a consolidated subsidiary, which was a special purpose company.

Non-Consolidated Balance Sheet
(As of March 31, 2010)

	March 31, 2010
	Amount
	(In millions)
ASSETS:	
Current Assets:	
Cash and deposits	¥ 3,348
Notes receivable	0
Loans receivable	22,188
Receivables from guarantees paid	4,056
Other receivables	398
Operational investment securities	10,238
Real estate for sale	384
Prepaid expenses	620
Accrued income	218
Other	342
Allowance for loan losses	(8,372)
Total Current Assets	33,424
Fixed Assets:	
Tangible fixed assets:	
Buildings	2
Equipment	31
Total tangible fixed assets	34
Intangible fixed assets:	
Software	18
Total intangible fixed assets	18
Investments and other assets:	
Investment securities	8,730
Investment in affiliated companies	66
Other investment in affiliated companies	9,113
Capital contributions	7
Capital contributions to affiliated companies	195
Long-term loans	6,650
Long-term loans to employees	98
Long-term loans to affiliated companies	2,325
Bankrupt and delinquent loans receivable	42,685
Long-term prepaid expenses	2
Long-term advance payments	1,707
Other	826
Allowance for loan losses	(30,459)
Total investments and other assets	41,948
Total Fixed Assets	42,001
Deferred Assets:	
Deferred bond issuance costs	33
Total Deferred Assets	33
Total Assets	¥75,459

March 31, 2010

Amount

(In millions)

LIABILITIES:	
Current Liabilities:	
Short-term borrowings	¥ 20,447
Current portion of long-term borrowings	6,016
Obligation under security buy-back agreements	8,833
Obligation under receivable buy-back agreements	2,677
Other payable	1,343
Accrued expenses	115
Accrued income taxes	1,292
Deferred tax liabilities	50
Advances received	89
Deposits received	32
Unearned income	6
Reserve for guarantee losses	1,022
Reserve for losses on relocation of offices	30
Other	27
Total Current Liabilities	41,984
Long-term Liabilities:	
Bonds	3,233
Long-term borrowings	347
Obligation under receivable buy-back agreement	14,176
Deferred tax liabilities	366
Accrued retirement benefits for directors	27
Reserve for losses on excess interest repayments	10,100
Reserve for losses on businesses of affiliated companies	1,466
Other	267
Total Long-term Liabilities	29,984
Total Liabilities	71,969
NET ASSETS:	
Shareholders' Equity:	
Common stock	26,289
Additional paid-in capital:	
General	28,586
Other	1,593
Total additional paid-in capital	30,180
Accumulated deficit:	
Legal reserve	400
Other:	
Dividend reserves	1,000
Special reserves	41,300
Unappropriated accumulated deficit	(92,398)
Total accumulated deficit	(50,098)
Treasury stock	(3,893)
Total Shareholders' Equity	2,878
Valuation and Translation Adjustments:	
Unrealized gains on investment securities	448
Deferred gains on hedging instruments	163
Total Valuation and Translation Adjustments	611
Total Net Assets	3,490
Total Liabilities and Net Assets	¥ 75,459

Note: The above statement amounts are rounded to the nearest million yen.

Non-consolidated Statement of operation

(April 1, 2009 ~ March 31, 2010)

	Year Ended March 31, 2010
	Amount
	(In millions)
Operating Revenues:	
Interest income from notes and loans receivable	¥2,036
Other financial income	731
Sales from the real estate business	2,997
Other	2,893
Total Operating Revenues	8,659
Operating Expenses:	
Financial costs	3,564
Costs of sales from the real estate business	3,123
Other	44
Total Operating Expenses	6,732
Net Operating Revenues	1,927
Selling, General and Administrative Expenses	
Total Selling, General and Administrative Expenses	9,444
Operating Losses	7,516
Other Income:	
Interest received	345
Interest income from securities	6
Dividends received	69
Guarantee fees received	166
Gains on foreign exchange	427
Other	50
Total Other Income	1,065
Other Expenses:	
Interest expense	1,341
Interest on bonds	109
Amortization of bond issuance costs	7
Losses on investment funds	275
Other	17
Total Other expenses	1,751
Ordinary Losses	8,202

Year Ended March 31, 2010

	Amount
	(In millions)
(Continued)	
Special Gains:	
Gains on sales of investment securities	8
Gains on sales of investment in affiliated companies	1,259
Gains on reversal of reserve for guarantee losses	350
Gains on reversal of reserve for losses on relocation of offices	125
Gains on reversal of reserve for losses on businesses of affiliated companies	750
Gains on retirement of bonds repurchased	4,306
Gains on forgiveness of debt	843
Other	44
Total Special Gains	7,689
Special Losses:	
Losses on sales of fixed assets	0
Losses on disposal of fixed assets	3
Losses on impairment	80
Losses on sales of investment securities	140
Losses on impairment of investment securities	830
Losses on impairment of investment in affiliated companies	79
Provision for losses on relocation of offices	30
Other	47
Total Special Losses	1,211
Losses before Income Taxes	1,725
Income Taxes	8
Net Losses	¥1,733

Note: The above statement amounts are rounded to the nearest million yen.

Non-consolidated Statement of Changes in Net Assets

(April 1, 2009 ~ March 31, 2010)

	Shareholders' Equity			
	Additional Paid-in Capital			Total additional paid-in capital
	Common stock	General	Other	
	(In millions)			
Balance as of March 31, 2009	¥26,289	¥28,586	¥1,593	¥30,180
Changes of items for the fiscal year ended March 31, 2010:				
Net losses	-	-	-	-
Purchases of treasury stock	-	-	-	-
Net changes of items other than shareholders' equity	-	-	-	-
Total changes for the fiscal year ended March 31, 2010	-	-	-	-
Balance as of March 31, 2010	¥26,289	¥28,586	¥1,593	¥30,180

	Shareholders' Equity							
	Accumulated Deficit						Treasury stock	Total shareholders' equity
	Other			Total unappropriated		Total unappropriated		
	Legal reserve	Reserve for dividends	Special reserve	Unappropriated accumulated deficit	accumulated deficit		accumulated deficit	
	(In millions)							
Balance as of March 31, 2009	¥400	¥1,000	¥41,300	¥(90,664)	¥(47,963)	¥(3,893)	¥ 4,612	
Changes of items for the fiscal year ended March 31, 2010:								
Net losses	-	-	-	(1,733)	(1,733)	-	(1,733)	
Purchases of treasury stock	-	-	-	-	-	(0)	(0)	
Net changes of items other than shareholders' equity	-	-	-	-	-	-	-	
Total changes for the fiscal year ended March 31, 2010	-	-	-	(1,733)	(1,733)	(0)	(1,733)	
Balance as of March 31, 2010	¥400	¥1,000	¥41,300	¥(92,398)	¥(49,697)	¥(3,893)	¥ 2,878	

	Valuation and Translation Adjustments				
	Unrealized (losses) gains on investment securities			Total valuation and translation adjustments	Total net assets
	Deferred gains (losses) on hedge instruments		Total valuation and translation adjustments		
	(In millions)				
Balance as of March 31, 2009	¥(151)	¥783	¥632	¥ 5,244	
Changes of items for the fiscal year ended March 31, 2010:					
Net losses	-	-	-	(1,733)	
Purchases of treasury stock	-	-	-	(0)	
Net changes of items other than shareholders' equity	599	(619)	(20)	(20)	
Total changes for the fiscal year ended March 31, 2010	599	(619)	(20)	(1,754)	
Balance as of March 31, 2010	¥ 448	¥ 163	¥611	¥ 3,490	

Note: The above statement amounts are rounded down to the nearest million yen.

I. Going Concern

The Group has continuously recorded material operating losses, ordinary losses and net losses since the fiscal year ended March 31, 2008. In addition, the Group recorded operating losses of ¥7,516 million, ordinary losses of ¥8,202 million and net losses of ¥1,733 million for the year ended March 31, 2010, 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 implemented a rehabilitation plan for reorganization of the Group's business structure, reinforcement of a stable capital base and establishment of a lean organization structure. The Group will increase its efforts to achieve early improvement of its business performance by steadily overcoming the following challenges:

1. 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 and trading support business in which the Group has started full-scale operation during the fiscal year ended March 31, 2010, the Group is engaging in trading support services in order to respond various needs of mid-sized SMEs such as factoring services related to international trading, 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.

2. Reinforcement of a stable capital base

Based on an agreement with Small and Medium-sized Enterprises Guarantee Co., Ltd. with regard to a strategic capital and business alliance, Small and Medium-sized Enterprises Co., Ltd., Incubator Bank of Japan, Limited and others have provided necessary financial support in order for the Company to establish a stable capital base. In addition, the Group sold six (6) real-estate properties held for sale for the fiscal year ended March 31, 2010, and is striving to reduce its interest-bearing debt through reduction of assets by continuously selling real estate held for sale and collecting loans receivable.

3. Continuous improvement of the Group's cost structure

In order to improve management efficiency through concentration in areas of core competence, the Group implemented cost reduction such as relocation of its headquarters and outsourcing of its operations for the fiscal year ended March 31, 2010. The Group is striving to continuously reduce its costs through improvement of its cost structure from every aspect of operations.

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 losses on excess interest repayments and loan losses-related expenses on notes and loans receivable is highly dependent on external factors with uncertainties.

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

II. Significant Accounting Policies

1. Valuation and computation of securities

- (1) Investment in affiliated companies

Cost method, cost being determined by the moving average method.

- (2) Other securities

Marketable securities

Market value is determined by the market price at fiscal year-end.

(Marketable securities are carried at market value with unrealized gains and losses. The unrealized gains and losses, net of taxes, are reported as a separate component of "NET ASSETS." Cost of securities sold is computed using the moving average method.)

Non-marketable securities

Cost method, cost being determined by the moving average method.

In addition, with respect to capital contributions to limited partnerships which operate as investment funds or similar organizations, the Company determines the valuation based on the Company's interests in asset value.

2. Derivatives

Market value method

3. Inventories

Real estate for sale

Cost methods (write-downs due to decreased profitability of assets)

4. Depreciation and amortization of fixed assets

- (1) Tangible fixed assets, except leased assets

Tangible fixed assets are amortized using the declining balance method.

However, depreciation of buildings newly acquired after April 1, 1998, excluding building improvements, is computed using the straight-line method.

- (2) Intangible fixed assets, except leased assets

Internal-use software costs are amortized using the straight-line method over 5 years, which is the estimated useful life.

- (3) Long-term prepaid expenses

Long-term prepaid expenses are amortized using the straight-line method.

5. Allowance and reserve for losses, and accrued expenses

- (1) Allowance for loan losses

Allowance for loan losses is maintained at a level that is adequate to provide for the amount of loan losses. It is calculated by applying a percentage derived from past collection experience to general loans, and by individually estimating uncollectible amounts with respect to certain doubtful loans.

- (2) Reserve for guarantee losses

Reserve for guarantee losses is maintained at a level that is adequate to provide for estimated probable guarantee losses as of the end of corresponding year.

(3) Reserve for losses on relocation of offices

Reserve for losses on relocation of offices is provided at an amount based on a reasonable estimation for losses on disposal of fixed assets, restoration costs, and other related expenses which would be expected to be incurred for scheduled office relocations.

(4) Reserve for losses on excess interest repayments

Reserve for losses on excess interest repayments is provided, in order to prepare for refund claims from borrowers for repayment of interest in excess of the prescribed rate stipulated by the Interest Rate Restriction Law, at an amount based on a reasonable estimation taking into account past experience and current conditions.

In addition, ¥1,330 million is included in allowance for loan losses as of March 31, 2010, in order to prepare for refund claims from borrowers for repayments of interest in excess of the prescribed rate stipulated by the Interest Rate Restriction Law.

(5) Accrued retirement benefits for directors

Accrued retirement benefits of the Company's Directors are provided at the amount which would have been required if all Directors had terminated their services as of balance sheet date. These amounts are determined in accordance with the Company's internal rules.

(6) Reserve for losses on businesses of affiliated companies

Reserve for losses on businesses of affiliated companies is provided at an amount based on a reasonable estimation in order to prepare for losses on guarantees of loans receivable and indemnification for losses on excess interest repayments of Credit Organization of Small and Medium-sized Enterprises Co., Ltd. ("COS"), a former affiliate accounted for under the equity method, and transferees of loans receivable from COS.

6. Other significant accounting policies for the preparation of non-consolidated financial statements

(1) Interest income from notes and loans receivable

Interest income from notes and loans receivable is recognized on an accrual basis. However, accrued interest income is recognized at the lower of the contractual interest rate or the restricted rate stipulated by the Interest Rate Restriction Law in Japan.

(2) Classifications of financial costs

Total assts are classified as operating assts related to integrated financial services and other assts, and financial costs corresponding to such operating assts are treated as "Operating Expenses" and financial costs corresponding to other assets are treated as "Other Expenses," in proportion to the balance of each such class of assts.

(3) Accounting for deferred assets

Deferred bond issuance costs are amortized equally by the amortization period

(4) Accounting for hedging activities

The Company cancelled derivative transactions in the past fiscal year and terminated adoption of hedge accounting. Accordingly, gains and losses of the hedging instruments at the time of termination will be deferred until gains and losses of the hedge items are recognized.

(5) Accounting treatment of consumption taxes

Consumption taxes are excluded from transaction amounts.

Consumption taxes not subject to the exclusion are treated as expense for the corresponding year.

7. Changes in presentation

(Non-consolidated Statement of Operations)

- i. “Gains on reversal of reserve for losses on businesses of affiliated companies,” which was included in “Other” in “Special Gains” for the year ended March 31, 2009, is present as a separate item for the year ended March 31, 2010 as the amount became significant for the financial reporting purposes. The amount of “Gains on reversal of reserve for losses on businesses of affiliated companies” for the year ended March 31, 2009 was ¥397 million.
- ii. “Compensation income,” which was presented as a separate item for the year ended March 31, 2009, is included in “Other” in “Special Gains” for the year ended March 31, 2010 as the amount became insignificant for the financial reporting purposes. The amount of “Compensation income” for the year ended March 31, 2010 was ¥39 million.
- iii. “Losses on impairment of other investment in affiliated companies,” which was presented as a separate item for the year ended March 31, 2009, is included in “Other” in “Special Losses” for the year ended March 31, 2010 as the amount became insignificant for the financial reporting purposes. The amount of “Losses on impairment of other investment in affiliated companies” for the year ended March 31, 2010 was ¥0 million.

III. Notes to the Non-Consolidated Balance Sheet

(Millions of yen)

1. Assets pledged and collateralized borrowings

(1) Assets pledged as collateral:	
Cash and deposits	851
Loans Receivable	11,276
Operational investment securities	2,000
Real estate for sale	384
Investment securities	3,850
Other investment in affiliated companies	316
Long-term loans	4,650
Bankrupt and delinquent loans receivable	179
(2) Corresponding borrowings secured by the above collateral:	
Short-term borrowings	11,100
Current portion of long-term borrowings	2,406
Long-term borrowings	262

With respect to investment securities presented above, ¥2,504 million is pledged as comprehensive collateral for borrowings, guarantee transactions and business alliance. In addition, investment securities of ¥1,346 million are pledged as collateral for a securities purchase agreement.

In addition to the above assets, the Company pledged loans receivable of ¥1,592 million, investment securities of ¥620 million, receivables from guarantees paid of ¥1,582 million, long-term loans to affiliated companies of ¥1,204 million and bankrupt and delinquent loans receivable of ¥341 million as collateral for borrowings of affiliated companies, as well as loans receivable of ¥154 million and bankrupt and delinquent loans receivable of ¥2 million as collateral for borrowings of Nissin Servicer Co., Ltd.

Also, in order to raise funds, the Company sold loans receivable of ¥4,675 million, investment securities of ¥1,633 million and bankrupt and delinquent loans receivable of ¥27,825 million to consolidated subsidiaries, as well as operational investment securities of ¥7,200 million to a third party.

However, since the transfer agreement includes a repurchase clause and these assets are expected to be repurchased in a short term, these transactions are recognized as financial transactions. Proceeds from sales of these assets are recorded as “Obligation under receivable buy-back agreements” or “Obligation under securities buy-back agreements.”

2. Accumulated depreciation of tangible fixed assets ¥132 million

3. Commitments and contingencies	
(1) Guarantee liabilities concerning guarantee business	¥11,271 million
(2) Guarantees for receivables held by Credit Organization of Small and Medium-sized Enterprises Co., Ltd. (including guarantees for loans receivable which were transferred to a third party)	¥541 million
<p>In addition to the above, the Company has to indemnify Credit Organization of Small and Medium-sized Enterprises Co., Ltd. ("COS"), a former affiliate accounted for under the equity method, until February 28, 2013, for losses that COS incurs due to claim for excess interest repayments raised by customers to whom COS lent money on or before March 3, 2008. Although it is difficult to estimate the amount of this liability, the Company estimated the amount of such losses as being ¥754 million, included in "Reserve for losses on businesses of affiliated companies."</p>	
(3) Guarantees for borrowings of affiliated companies.	¥5,000 million
(4) Guarantees for borrowings of Nissin Servicer Co., Ltd.	¥6,009 million
4. Receivables from affiliated companies (except for those disclosed as separate items)	¥9,428 million
5. Borrowings from affiliated companies	¥24,802 million

IV. Notes to the Non-consolidated Statements of Operation

Transactions with Affiliated Companies (except for those disclosed as separate items)

(1) Business transactions	¥1,317 million
(2) Other transactions	¥139 million

V. Notes to the Non-Consolidated Statement of Changes in Net Assets

The type and numbers of treasury stock as of the end of the fiscal year ended March 31, 2009 are as follows:
Common shares 6,290,447 shares

VI. Notes to Deferred Income Taxes

Significant components of deferred tax assets and liabilities

	(Millions of yen)
Deferred tax assets:	
Loan losses	85
Provision for loan losses	14,642
Provision for guarantee losses	414
Provision for losses on excess interest repayments	4,090
Provision for losses on businesses of affiliated companies	593
Losses on impairment of investment securities	836
Losses on impairment of real estate for sales	25
Depreciation and amortization	239
Losses carried forward	20,001
Other	441
Valuation allowance	(41,372)
Total deferred tax assets	-
Deferred tax liabilities:	
Unrealized gains on investment securities	304
Deferred gains on hedging instruments	111
Total deferred tax liabilities	416
Net deferred tax liabilities	416

VII. Notes to Fixed Assets Used under Leases

Other than fixed assets recorded on the non-consolidated balance sheet, the Company uses a part of its office equipments under finance leases, of which the ownership is not transferred to the lessee.

1. **Equivalents of acquisition costs, accumulated amortization, accumulated losses on impairment and book values as of March 31, 2010 are as follows:**

(Millions of yen)

	Acquisition costs equivalent	Accumulated amortization equivalent	Accumulated losses-on-impairment equivalent	Book value equivalent
Equipment	246	147	77	21
Total	246	147	77	21

2. **The amounts of outstanding future minimum lease payments and reserve for losses on impairment of leased assets as of March 31, 2010 are as follows:**

(Millions of yen)

Due within one year	42
Due after one year	19
Total	61
Reserve for losses on impairment of leased assets	39

3. **Lease payments, decrease in reserve for losses on impairment of leased assts, amortization expense equivalent, and interest expense equivalent for the fiscal year ended March 31, 2010 are as follows:**

(Millions of yen)

Lease payments	85
Decrease in reserve for losses on impairment of leased assts	67
Amortization expense equivalent	192
Interest expense equivalent	5

4. **Method used to calculate amortization expense equivalent of leased property**

Amortization expense equivalent is calculated by using the straight-line method over the respective lease terms with no residual value.

5. **Method used to calculate interest expense equivalent of leased property**

Interest expense equivalent of a lease obligation is calculated as the difference between the total lease payments and the acquisition cost equivalent of the leased property, with the amount allocated to each relevant accounting period using the interest method.

VIII. Notes to Transactions with Related Parties

1. Subsidiaries and related companies

(Millions of yen)

Attribution	Name of company	Location	Common stock or capital contribution	Business category	Interest in the entity (%)	Business relationship	Description of transaction	Amount of transaction	Item in financial statements	Balance at year-end
Subsidiary	NI Strategic Partners Co., Ltd.	Chuo-ku, Tokyo	22	Investment and advisory business	100.0% directly owned	2 shared directors Borrowing of operating funds Guarantees for bank borrowings	Borrowing of operating funds (Note 1)	5,000	Short-term borrowings	5,000
							Payment of interest	244	-	-
							Guarantees for bank borrowings (Note 2)	5,000	-	-
	NIS1 Co., Ltd.	Chuo-ku, Tokyo	10	Investment business	100.0% directly owned	1 shared director	Lending of operating funds (Note 3)	821	Long-term loans to affiliated companies (Note 4)	821
							Receipt of interest	31	-	-
	Stellar Hills TMK	Chiyoda-ku, Tokyo	0	Special purpose company holding real properties	100.0% directly owned	Underwriting of TMK bonds	-	-	Operational Investment securities (Note 5)	9,200
							Receipt of interest	729	Other current assets	39
	NISF1 LLC	Minato-ku, Tokyo	0	Special purpose company holding receivables	100.0% directly owned	Fund raising by assignment of loans receivable	-	-	Obligation under receivable buy-back agreements	2,677
CM&N LLC	Chiyoda-ku, Tokyo	0	Special purpose company holding receivables	100.0% directly owned	Fund raising by assignment of loans receivable	Fund raising by assignment of loans receivable	1,157	Obligation under receivable buy-back agreements	10,980	
Roppongi Property LLC	Shinjuku-ku, Tokyo	1	Special purpose company holding receivables	100.0% directly owned	Fund raising by assignment of loans receivable	-	-	Obligation under receivable buy-back agreements	2,835	
Japan Incubation Fund Investment Business Partnership	Chiyoda-ku, Tokyo	-	Special purpose company holding securities	-	Fund raising by assignment of securities	-	-	Obligation under security buy-back agreements	1,633	

(Millions of yen)

Attribution	Name of company	Location	Common stock or capital contribution	Business category	Interest in the entity (%)	Business relationship	Description of transaction	Amount of transaction	Item in financial statements	Balance at year-end
Affiliate accounted for under the equity method	Nissin Servicer Co., Ltd. (Note 6)	Chiyoda-ku, Tokyo	3,036	Servicing business	14.7% directly owned	Lending of operation funds	Lending of operation funds (Note 3)	2,200	-	-
							Receipt of interest	50	-	-
							Guarantees for borrowings (Note 7)	4,709	-	-
							Receipt of guarantee fees	1	-	-
	NIS Lease Co., Ltd.	Chiyoda-ku, Tokyo	300	Leasing, installment loans and credit guarantee business	15.2% directly owned	2 shared directors	Lending of operation funds (Note 3)	1,204	Long-term loans to affiliated companies	1,204
							Receipt of interest	22	-	-
							Borrowing of operation funds	1,250	Short-term borrowings	1,250
							Receipt of interest	60	-	-
							Provision of collateral for bank borrowings	2,702	-	-
							Receiving of collateral for bank borrowings of the Company	434	-	-
	Credit Organization Of Small and Medium-sized Enterprises Co., Ltd. (Note 8)	Sumida-ku, Tokyo	1,426	Credit guarantee business	34.6% directly owned	1 shared director	Guarantees for loans receivable (Note 9) (Note 10)	1,253	-	-
							Receipt of guarantee fees	5	Other current assets	5
	Future 21st LLC	Minato-ku, Tokyo	1	Special purpose company holding real properties	-	Lending of operation funds	-	-	Bankrupt and delinquent loans receivable (Note 11)	2,500

Business terms and related decision-making policies, etc:

Notes: 1. The Company pledged loans receivable of ¥457 million and long-term loans of ¥2,650 million as collateral for borrowings from the company.

- The Company pledged loans receivable of ¥4,638 million as collateral for guarantees for bank borrowings. In addition, the Company does not receive any guarantee fees in connection with this transaction, because the pledge of collateral corresponds to funds procurement for lending to the Company.
- Contract terms related to lending of funds to each company are decided by taking into consideration the market interest rate and borrowing interest rate of the Company, and other business terms are decided upon agreement between the Company and those companies. In addition, the Company does not secure any collateral.
- The Company provided ¥327 million of "Allowance for loan losses" for long-term loans to the subsidiary. In addition, the Company recorded ¥27 million of "Provision for loan losses" for the fiscal year ended March 31, 2010.
- The Company provided ¥4,501 million of "Allowance for loan losses" for "Operational investment securities" issued by the subsidiary. In addition, the Company recorded ¥1,386 million of "Provision for loan losses" for the fiscal year ended March 31, 2010.
- Nissin Servicer Co., Ltd. is no longer an affiliated company since Credit Organization of Small and Medium-sized Enterprises Co., Ltd. was excluded from the application of the equity method on March 26, 2010. In addition, "Amount of transaction," "Balance at year-end" and "Interest in the entity" above are information at the time Nissin Servicer Co., Ltd. was excluded from the application of the equity method.
- In addition to joint and several guarantees for borrowings of ¥4,709 million, the Company guarantees ¥1,300 million for a transferee of the Company's lending to the company.
- Credit Organization of Small and Medium-sized Enterprises Co., Ltd. ("COS") is no longer an affiliated company due to a decrease in the Company's voting rights as a result of sales of its shares on March 26, 2010. In addition, "Amount of transaction," "Balance at year-end" and "Interest in the entity" above are information at the time COS was excluded from the application of the equity method.
- Guarantees for loans to customers. The amount presented above is the outstanding balance of loans receivable that the Company guaranteed as of March 31, 2010. In addition, the Company has to indemnify COS until February 28, 2013, for losses that COS incurs due to claims for excess interest repayments raised by customers to whom COS lent money on or before March 3, 2008. Although it is difficult to estimate the amount of this liability, the Company estimates the amount of such losses as being ¥754 million, which was included in "Reserve for losses on businesses of affiliated companies" as of March 31, 2010.

10. The Company provided ¥1,466 million of “Reserve for losses on businesses of affiliated companies” for losses on guarantees of loans receivable and indemnification for losses on excess interest repayments of COS and transferees of loans receivable from COS.
11. The Company provided ¥2,500 million of “Allowance for loan losses” for bankrupt and delinquent loans receivable to the affiliated company.
12. Consumption taxes are excluded from “Amount of transaction” presented above. The amounts in “Balance at year-end” include consumption taxes.

2. Directors and principal shareholders

(Millions of yen)

Attribution	Name	Location	Common stock or capital contribution	Occupation	Interest in the entity (%)	Business relationship	Description of transaction	Amount of transaction	Item in financial statements	Balance at year-end
Director and their close relatives	Takumi Kawamura	-	-	Director of the Company Representative Director of Small and Medium-sized Enterprises Guarantee Co., Ltd.	-	Borrowing of operation funds	Borrowing of operation funds (Note 1)	10,300	Short-term borrowings	4,000
									Long-term borrowings	800
							Payment of interest	239	Accrued expenses	0
							Provision of collateral (Note 1) (Note 2)	817	-	-
							Guarantees for the Company's borrowings	1,000	-	-
						Payment of interest	2	-	-	

Business terms and related decision-making policies, etc:

- Notes: 1. Transactions conducted by Takumi Kawamura, Director of the Board of the Company, as a representative of a third party, which is Small and Medium-sized Enterprises Guarantee Co., Ltd. (“SMEG”).
2. The Company pledged its long-term loans as collateral for SMEG’s lending of ¥817 million to Nissin Servicer Co., Ltd.
3. Consumption taxes are excluded from “Amount of transaction” presented above. The amounts in “Balance at year-end” include consumption taxes.

IX. Per Share Data

1. Net assets per share ¥14.57
2. Net losses per share ¥7.24

X. Other Notes

(Gains on forgiveness of debt)

“Obligation under receivable buy-back agreements” in “Current Liabilities” decreased due to forgiveness of a part of its debt at a consolidated subsidiary, which was a special purpose company.

Independent Auditors' Report on the Consolidated Financial Statements

Independent Auditors' Report

May 17, 2010

Board of Directors of
NIS Group Co., Ltd.

Representative Partner, Engagement Partner: Keisuke Takase
Engagement Partner: Hiroshi Saito

Pursuant to Clause 4, Article 444 of the Corporate Law, we have audited the consolidated balance sheet and the related consolidated statement of operations, changes in net assets and the notes to the consolidated financial statements as of and for the year ended March 31, 2010. These financial statements are the responsibility of the management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accompanying consolidated financial statements referred to above present fairly, in all material respects, the financial position of NIS Group Co., Ltd. and its consolidated subsidiaries as of March 31, 2010, and the results of their operations for the year then ended, in conformity with accounting principles generally accepted in Japan.

Additional information:

As discussed in "Going Concern," the NIS Group Co., Ltd. and its consolidated subsidiaries (collectively the "Group") continuously recorded material operating losses, ordinary losses and net losses since the fiscal year ended March 31, 2008, and these conditions raise substantial doubt concerning the Group's ability to continue as a going concern. At this time, the material uncertainties regarding the Group's ability to continue as a going concern are recognized. In addition, plans to respond to these conditions and reasons for these material uncertainties are described in the corresponding section. The consolidated financial statements have been prepared on a going-concern basis and reflect no material doubt in those respects.

We have no interest in NIS Group Co., Ltd. and its consolidated subsidiaries, which should be disclosed pursuant to the provision of the Certified Public Accountants Law.

Independent Auditors' Report

Independent Auditors' Report

May 17, 2010

Board of Directors of
NIS Group Co., Ltd.

Representative Partner, Engagement Partner: Keisuke Takase
Engagement Partner: Hiroshi Saito

Pursuant to Clause 4, Article 444 of the Corporate Law, we have audited the balance sheet and the related statement of operations, changes in net assets and the notes to the financial statements as of and for the year ended March 31, 2010. These financial statements are the responsibility of the management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of NIS Group Co., Ltd. as of March 31, 2010, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in Japan.

Additional information:

As discussed in "Going Concern," the NIS Group Co., Ltd. (the "Company") continuously recorded material operating losses, ordinary losses and net losses since the fiscal year ended March 31, 2008, and these conditions raise substantial doubt concerning the Company's ability to continue as a going concern. At this time, the material uncertainties regarding the Company's ability to continue as a going concern are recognized. In addition, plans to respond to these conditions and reasons for these material uncertainties are described in the corresponding section. The financial statements have been prepared on a going-concern basis and reflect no material doubt in those respects.

We have no interest in NIS Group Co., Ltd., which should be disclosed pursuant to the provision of the Certified Public Accountants Law.

Board of Statutory Auditors' Report

Audit Report

The following is the report of the Board of Statutory Auditors concerning the performance of the Directors in discharging their duties during the 51st fiscal year from April 1, 2009 to March 31, 2010. This report has been compiled from the individual reports by each member of the Board and represents the unanimous opinion of the Board.

1. Methodology and Contents of Audit by the Statutory Auditors and Board of Statutory Auditors

The Board reviewed the individual audit reports from each Statutory Auditor regarding the status of implementation of audit and audit results, as well as reports from the Directors and accounting auditor regarding the execution of their duties, and requested explanations of matters of interest as needed. The Statutory Auditors performed their work according to an audit plan and allocation of assignments.

Each Statutory Auditor, in accordance with the requirements determined by the Board of Statutory Auditors, and with the policy for auditing and the allocation of tasks, has endeavored to communicate with the executives and persons in the Group Audit Department and other personnel, has endeavored to collect information and maintain appropriate methodology, has attended meetings of the Board of Directors and other significant meetings, has received reports on the execution of work from Directors and employees, has requested explanations when they were necessary, has examined significant payment statements, and has examined the situation regarding work and assets at the head office and other major locations. The Statutory Auditors have also audited and verified the organization and function of the arrangements established by a resolution of the Board of Directors in light of the Corporate Law Implementation Guidance Clause 1 and 3, Article 100. The intention of the article and arrangements is to ensure that the performance of the Directors complies with laws and regulations, and the Articles of Incorporation, and ensure that other activities of the Company are proper. These arrangements are generally known as the "internal control system." With regard to subsidiaries, the Statutory Auditors have been in touch with Directors and Auditors of those companies and have received reports from them in accordance with requirements. On the basis of this method, the Statutory Auditors have examined the business report and its supplementary statements for this fiscal year.

Further, the Statutory Auditors have reviewed and verified that the accounting auditor has maintained its independence and conducted its audits properly, in addition to receiving reports from the accounting auditor on the execution of its tasks and requested explanations when necessary. The Statutory Auditors have received from the certified public accountant notification that the System for Ensuring the Proper Discharge of Duties (items in Corporate Accounting Rules, Art. 159) meets the requirements of Quality Control Standards for Audits (Corporate Accounting Deliberative Council, October 28, 2004), and requested explanations when necessary. On the basis of this method, the Statutory Auditors examined the financial statements (balance sheet, statement of operations, statement of changes in net assets, and notes to the financial statements) as well as the supplementary statements and consolidated financial statements (consolidated balance sheet, consolidated statement of operations, consolidated statement of changes in net assets, and notes to the consolidated financial statements) for this fiscal year.

2. Audit Results

(1) Audit results on the business report and others

- a. The business report and its supplementary statements are in conformity with laws and regulations, and correctly reflect the conditions of the Company.
- b. No instance was found of improper discharge of duties, or a violation of the law, or an act contrary to the Articles of Incorporation, by a Director.
- c. It is confirmed that the resolutions of the Board of Directors have been consistent with the internal control system as described in the business report. Further, no instance of the performance of work by Directors was found that requires attention from this system, built and operated on the basis of a Board of Directors resolution.

(2) Audit Results on Financial Statements and Supplementary Statements

The methods and results of audit conducted by the accounting auditor, BDO Sanyu & Co., are suitable.

(3) Audit Results, Consolidated Financial Statements

The methods and results of audit conducted by the accounting auditor, BDO Sanyu & Co., are suitable.

May 24, 2010

NIS Group Co., Ltd.
Board of Statutory Auditors

Standing Statutory Auditor	Akio Sakioka	(seal)
Statutory Auditor	Hitoshi Higaki	(seal)
Statutory Auditor (Outside Auditor)	Nobuyuki Fukui	(seal)
Statutory Auditor (Outside Auditor)	Isamu Kobori	(seal)

Reference Documents for the Ordinary General Meeting of Shareholders

Proposal and Reference Items

Proposal No 1. Selection of Five (5) Directors

The term of office of all of the four (4) Directors will expire as of the conclusion of the 51st Ordinary General Meeting of Shareholders. Accordingly, we propose that you elect five (5) Directors.

Candidates for five (5) Directors are as follows:

Candidate No.	Name (Date of birth)	Business career, position, assignment and important concurrent post	Number of the Company's shares owned (shares)
1	Toshioki Otani (December 22, 1970)	<p>April 1994 Joined the Company</p> <p>April 2002 General Manager of Eastern Japan Sales & Marketing Control Department of the Company</p> <p>June 2002 Director of the Board and General Manager of Eastern Japan Sales & Marketing Control Department of the Company</p> <p>July 2005 Executive Director of the Board, Executive Officer, Head of Sales & Marketing Control and General Manager of Sales Department of the Company</p> <p>April 2007 Executive Director of the Board, Executive Officer and Head of Investment Banking, Sales & Marketing and Investment Banking Division of the Company</p> <p>June 2007 Senior Executive Director of the Board, Executive Officer and Head of Investment Banking, Sales & Marketing and Investment Banking Division of the Company</p> <p>January 2009 Director of the Board, Executive Vice-President and Head of Investment Banking, Sales & Marketing of the Company</p> <p>April 2009 Director of the Board, Executive Vice-President</p> <p>June 2009 Vice-President and Representative Director of the Board of the Company</p> <p>November 2009 President and Representative Director of the Board of the Company (current position)</p>	198,545
2	Yasuji Suzuki (March 23, 1964)	<p>April 1988 Joined C Two Network Co., Ltd.</p> <p>July 1999 Director of the Board of C Two Network Co., Ltd.</p> <p>April 2001 Executive Director of the Board and Executive Officer of C Two Network Co., Ltd.</p> <p>December 2004 Joined Agasta Co., Ltd. as Head of Sales Department</p> <p>September 2005 President and Representative Director of the Board of Agasta Co., Ltd. (current position)</p> <p>(Important concurrent post) President and Representative Director of the Board of Agasta Co., Ltd.</p>	-
3	Yoichi Hirata (August 13, 1977)	<p>April 2000 Joined the Company</p> <p>May 2007 General Manager of Strategic Business Development Department of the Company</p> <p>April 2008 Executive Officer and General Manager of Strategic Business Development Department and Investment Banking Department</p> <p>December 2008 President and Representative Director of the Board of NI Strategic Partners Co., Ltd. (current position)</p> <p>April 2009 Executive Officer and General Manager of Investment Banking Department (current position)</p> <p>(Important concurrent post) President and Representative Director of the Board of NI Strategic Partners Co., Ltd.</p>	6,528

Candidate No.	Name (Date of birth)	Business career, position, assignment and important concurrent post	Number of the Company's shares owned (shares)
4	Akihiro Kurosawa (January 26, 1967)	<p>April 1989 Joined The Dai-Ichi Kangyo Bank, Ltd. (currently Mizuho Bank, Ltd.)</p> <p>August 2005 Joined Asset Managers Co., Ltd. (currently Asset Managers Holdings Co., Ltd.)</p> <p>June 2006 Statutory Senior Executive Officer and General Manager of Solution Business Department of Asset Managers Co., Ltd. (currently Asset Managers Holdings Co., Ltd.)</p> <p>June 2007 Director of the Board of Asset Investors Co., Ltd. (currently MBK Co., Ltd.)</p> <p>June 2007 Director of the Board of Gokurakuyu Co., Ltd.</p> <p>July 2008 Representative Director of the Board of G&R Corporation</p> <p>April 2009 Joined Investment Organization of Small and Medium-sized Enterprises Co., Ltd. as Executive President</p> <p>October 2009 (Important concurrent post) President and Representative Director of the Board of Investment Organization of Small and Medium-sized Enterprises Co., Ltd.</p>	-
5	Yoshihiko Okuno (October 20, 1970)	<p>January 2003 Joined Sanyo Club Co., Ltd.</p> <p>March 2006 Joined BB Net Finance Corp. (currently Small and Medium-sized Enterprises Guarantee Co., Ltd.)</p> <p>August 2007 Director of the Board of BBN Finance Service Corp. (currently Small and Medium-sized Enterprises Personnel Co., Ltd.)</p> <p>September 2008 Vice-President and Director of the Board of Small and Medium-sized Enterprises Personnel Co., Ltd. (current position)</p> <p>June 2009 Outside Director of the Board of the Company (current position)</p>	-

Notes: 1. There are no special interests between five (5) candidates for Directors above and the Company.

2. Mr. Akihiro Kurosawa and Mr. Yoshihiko Okuno are candidates for Outside Directors. In addition, Mr. Yoshihiko Okuno has been assumed his post as Outside Director for one (1) year.

3. Mr. Akihiro Kurosawa and Mr. Yoshihiko Okuno have been selected as candidates for Outside Directors for the following reasons:

i) The Company has selected Mr. Akihiro Kurosawa as a candidate for an Outside Director because it believes that he could play an appropriate role as an Outside Director by utilizing his wide-ranging experience and deep knowledge obtained through long-term business experience at financial institution to reinforce monitoring and supervision over the management from neutral and independent and neutral standpoint.

ii) The Company has selected Mr. Yoshihiko Okuno as a candidate for an Outside Director because it believes that he could play an appropriate role as an Outside Director by utilizing his wide-ranging experience and deep knowledge of SME finance to reinforce monitoring and supervision over the management from neutral and independent and neutral standpoint.

4. In the event of Mr. Akihiro Kurosawa and Mr. Yoshihiko Okuno being approved as Outside Directors, the Company shall enter into an agreement with each of them on limiting the liability of Outside Director to ¥20 million or the minimum amount as defined by Clause 1, Article 425 of the Corporate Law, whichever is greater.

Proposal 2. Selection of Two (2) Statutory Auditors

Statutory Auditor Mr. Akio Sakioka and Mr. Hitoshi Higaki will resign from their posts as of the conclusion of the 51st Ordinary General Meeting of Shareholders. Accordingly, we propose that you elect two (2) Statutory Auditors.

The submission of this proposal has been approved by the Board of Statutory Auditors.

Candidates for two (2) Statutory Auditors are as follows:

Candidate No.	Name (Date of birth)	Business career, position, assignment and important concurrent post	Number of the Company's shares owned (shares)
1	Tamotsu Kitao (June 1, 1940)	<p>March 1964 Joined The Sumitomo Trust & Banking Co., Ltd.</p> <p>July 1995 Joined Sumiso Co., Ltd. (currently The Resolution and Collection Corporation)</p> <p>October 1996 Joined STB Leasing Co., Ltd.</p> <p>August 2001 Joined Sumishin Personnel Service Co., Ltd. (currently Sumishin Business Service Co., Ltd.)</p> <p>February 2006 Joined the Company</p> <p>February 2009 Seconded to Small and Medium-sized Enterprises Personnel Co., Ltd.</p> <p>March 2009 Statutory Auditor of Credit Organization of Small and Medium-sized Enterprises Co., Ltd. (current position)</p>	3,500
2	Hajime Iwasaki (September 17, 1952)	<p>March 1981 Joined Denny's Japan Co., Ltd. (currently Seven & i Food Systems Co., Ltd.)</p> <p>February 1996 Accounting Control Manager of Finance Department of Denny's Japan Co., Ltd. (currently Seven & i Food Systems Co., Ltd.)</p> <p>August 2004 Joined La Parler Co., Ltd. as General Manager of Accounting Department in Operations Control</p> <p>April 2006 Head of Operations Control and General Manager of Accounting Department and Human Resources and General Affairs Department of La Parler Co., Ltd.</p> <p>June 2006 Director of the Board, Head of Operations Control and General Manager of Accounting Department and Human Resources and General Affairs Department of La Parler Co., Ltd.</p> <p>April 2007 Director of the Board, Head of Operations Control and General Manager of Accounting Department and System Department of La Parler Co., Ltd.</p> <p>March 2008 Director of the Board, Head of Operations Control and General Manager of Information System Department of La Parler Co., Ltd.</p> <p>April 2009 Director of the Board and Head of Operations Control of La Parler Co., Ltd.</p> <p>January 2010 General Manager, Assistant to Head of Operations Control of La Parler Co., Ltd. (current position)</p> <p>January 2010 Seconded to Small and Medium-sized Enterprises Guarantee Co., Ltd. as General Manager of Investor Relations Support Department in Operations Support Division</p> <p>March 2010 Director of the Board and General Manager of Investor Relations Support Department in Operations Support Division of Small and Medium-sized Enterprises Guarantee Co., Ltd. (current position)</p>	-

Notes: 1. There are no special interests between two (2) candidates for Statutory Auditors above and the Company.

2. Mr. Hajime Iwasaki is a candidate for an Outside Statutory Auditor.

3. Mr. Hajime Iwasaki has wide-ranging experience and knowledge obtained through long-term business experience of business administration at listed companies, and there no possibility of conflict of interest with general shareholders. Accordingly, the Company has selected Mr. Hajime Iwasaki as a candidate for an Outside Statutory Auditor.

In addition, he had assumed his post as a Director of the Board of La Parler Co., Ltd. from June 2006 to January 2010, and the company was ordered suspension for three (3) months of a part of its operations concerning "Specified Continuous Services" stipulated in Act on Specified Commercial Transactions (the "Act") and received recommendation in accordance with Tokyo Metropolitan Consumer Protection Regulations (the "Regulations") in March 2008, due to violation of the Act and the Regulations, respectively, in a part of sales activities of 17 branches in Tokyo metropolitan area.

4. In the event of Mr. Hajime Iwasaki being approved as an Outside Statutory Auditor, the Company shall enter into an agreement with him on limiting the liability of Outside Statutory Auditor to ¥20 million or the minimum amount as defined by Clause 1, Article 425 of the Corporate Law, whichever is greater.