

(TRANSLATION)



MEMBERSHIP

February 9, 2011

## **Condensed Statements of Financial Results for the Nine Months Ended December 31, 2010**

Company Name:	NIS GROUP CO., LTD. (URL: <a href="http://www.nisgroup.jp/">http://www.nisgroup.jp/</a> )
Stock Exchange Listings:	Tokyo Stock Exchange, First Section (Code: 8571)
Representative:	Toshioki Otani President and Representative Director of the Board
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Scheduled Filing Date of Quarterly Financial Report ("Shihanki-Houkokusho"):	February 14, 2011
Supplementary Presentation of Quarterly Financial Results:	Yes
Quarterly Financial Results Briefing Conference to Be Held:	None
Application of GAAP:	Japanese GAAP

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

## 1. Consolidated Financial Results for the Nine Months Ended December 31, 2010

### (1) Consolidated Operating Results

	Nine Months Ended December 31,			
	2010		2009	
	Amount	Percentage	Amount	Percentage
	(In millions except percentages)			
Operating revenues	¥ 5,292	(39.1)%	¥ 8,686	(66.7)%
Operating losses	(7,039)	-	(5,301)	-
Ordinary losses	(7,622)	-	(5,686)	-
Net losses	(16,530)	-	(1,092)	-

	Nine Months Ended December 31,	
	2010	2009
	(In yen)	
Net losses per share:		
Basic	¥(46.27)	¥(4.56)
Diluted	-	-

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

### (2) Consolidated Financial Position

	December 31, 2010	March 31, 2010
	(In millions except percentages and per share data)	
Total assets	¥44,614	¥72,277
Net assets	(1,970)	11,636
Net worth ratio (%)	(21.0)%	4.9%
Net assets per share (in yen)	(19.73)	14.72

Note: Negative net worth was ¥9,367 million as of December 31, 2010 and net worth was ¥3,525 million as of March 31, 2010.

## 2. Dividends

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

Note: No adjustment has been made to dividend forecasts during the three months ended December 31, 2010.

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

Note: No adjustment has been made to the financial forecasts during the three months ended December 31, 2010.

The Company is currently consulting with its lenders including Incubator Bank of Japan, Limited (“IBJ”) on issues including amendments to terms and conditions of the contracts, and the consolidated financial results will fluctuate depending on the future progress of the consultation; therefore, the consolidated financial forecasts for the fiscal year ending March 31, 2011 will be announced as soon as they are determined.

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

- (1) Changes in Significant Subsidiaries during the Three Months Ended December 31, 2010: None

Note: Changes in the scope of consolidation of specified subsidiaries for the three months ended December 31, 2010.

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

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

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

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

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

- (4) Number of Issued Shares of Common Stock

	December 31, 2010	March 31, 2010
		(Shares)
Number of issued shares	481,188,550	245,894,350
Of which treasury stock	6,290,526	6,290,117
	Nine Months Ended December 31,	
	2010	2009
		(Shares)
Weighted-average number of outstanding shares	357,250,990	239,606,810

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

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

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

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

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## 1. Qualitative Information on Consolidated Results of Operations for the Nine Months Ended December 31, 2010

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

For the nine months ended December 31, 2010, Japanese economy has remained severe due to stagnation of employment and income situation, despite a modest recovery reflecting improvement of corporate profitability.

In this business environment, NIS Group Co., Ltd. (the “Company”) and its consolidated subsidiaries (collectively, the “Group”) recorded ¥7,553 million of negative net worth as of September 30, 2010, due to losses in connection with the failure of Incubator Bank of Japan, Limited (“IBJ”) which was the Group’s major lender. In addition, the Group continuously recorded ¥9,367 million of negative net worth as of December 31, 2010. Accordingly, the Company decided to discontinue the moneylending business on December 31, 2010 because it did not meet the net asset requirement stipulated in the Moneylending Business Law.

With regard to the financial results for the nine months ended December 31, 2010, total operating revenues were ¥5,292 million, a decrease of ¥3,393 million, or 39.1%, compared with the corresponding period of the previous fiscal year. This is mainly attributable to a decrease in interest income from loans receivable due to a decrease in the balance of loans receivable, in addition to revenue from sales of real estate held recognized in the corresponding period of the previous fiscal year.

Operating losses were ¥7,039 million, compared to ¥5,301 million of operating losses for the corresponding period of the previous fiscal year. This is mainly attributable to loan loss-related costs such as provision for loan losses on real estate-backed loans receivable and guarantee losses, in addition to impairment losses on real estate held by a consolidated subsidiary.

Ordinary losses were ¥7,622 million, compared to ¥5,686 million of ordinary losses for the corresponding period of the previous fiscal year. This is mainly attributable to ¥956 million of interest expenses incurred as other expenses, offset by gains of ¥391 million on foreign exchange and ¥152 million of interest received incurred as other income.

Net losses were ¥16,530 million, compared to ¥1,092 million of net losses for the corresponding period of the previous fiscal year. This is mainly attributable to provision for loan losses of ¥7,083 million and losses of ¥2,268 million on impairment of investment securities reflecting the failure of IBJ, offset by gains of ¥547 million on sales of investment securities and gains of ¥297 million on reversal of accrued retirement benefits for directors.

Operating results by each segment are described below:

#### i) Integrated Financial Services

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

As a result, operating revenues from integrated financial services for the nine months ended December 31, 2010 were ¥1,988 million, and segment losses were ¥2,496 million.

In addition, the Company decided to discontinue the moneylending business on December 31, 2010, and will continue its loan operation only for termination of the existing loan contracts as a deemed moneylender in accordance with the Moneylending Business Law. The Company expects that the discontinuance of moneylending business would have a limited effect on its consolidated results of operations because the Company has already been undertaking constraints on the origination of new loans.

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

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

As a result, operating revenues from the investment banking and overseas trading business for the nine months ended December 31, 2010 were ¥2,118 million, and segment income was ¥67 million.

iii) Real Estate Business

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

As a result, operating revenues from the real estate business for the nine months ended December 31, 2010 were ¥991 million, and segment losses were ¥4,083 million.

iv) Other Businesses

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

As a result, operating revenues from other businesses for the nine months ended December 31, 2010 were ¥195 million, and segment losses were ¥11 million.

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

(2) Qualitative Information on Consolidated Financial Position

i) Assets, Liabilities and Net assets

As of December 31, 2010, total assets were ¥44,614 million, a decrease of ¥27,662 million, or 38.3%, compared with the end of the previous fiscal year. This is mainly attributable to a decrease of ¥2,393 million in cash and deposits, ¥8,348 million in loans receivable, ¥5,155 million in bankrupt and delinquent loans receivable and ¥3,662 million in investment securities, in addition to an increase of ¥6,226 million in allowance for loan losses in total, compared with the end of the previous fiscal year, respectively

As of December 31, 2010, total liabilities were ¥46,585 million, a decrease of ¥14,055 million, or 23.2%, compared with the end of the previous fiscal year. This is mainly attributable to a decrease of ¥10,516 million in total of short-term and long-term interest-bearing debt due to a decrease in operating assets, and ¥1,129 million in reserve for losses on excess interest repayments, compared with the end of the previous fiscal year, respectively.

As of December 31, 2010, net assets were minus ¥1,970 million, a decrease of ¥13,606 million, compared with the end of the previous fiscal year. This is attributable to a decrease of ¥16,530 million in retained earnings because of net losses for the nine months ended December 31, 2010, offset by an increase of ¥4,000 million in the total of common stock and additional paid-in capital as a result of issuance of new shares to Neoline Holdings Co., Ltd. through a third-party allotment, compared with the end of the previous fiscal year, respectively.

ii) Cash Flows

As of December 31, 2010, cash and cash equivalents ("Cash") were ¥2,603 million, a decrease of ¥1,331 million, compared with the end of the previous fiscal year. The overview of cash flows is as follows:

(Cash Flows from Operating Activities)

Net Cash provided by in operating activities for the nine months ended December 31, 2010 was ¥1,568 million, compared to ¥1,752 million provided for the corresponding period of the previous fiscal year.

Cash provided during the nine months ended December 31, 2010 mainly comprised ¥5,571 million provided by net collection of loans receivable, compared to ¥4,465 million provided for the corresponding period of the previous fiscal year, ¥6,226 million of increase in allowance for loan losses, compared to ¥1,458 million of increase for the corresponding period of the previous fiscal year, ¥3,170 million of charge-offs of loans receivable, compared to ¥5,083 million for the corresponding period of the previous fiscal year, and ¥4,074 million of losses on impairment of real estate for sale and real estate under construction for sale, compared to ¥444 million for the corresponding period of the previous fiscal year, offset by ¥16,423 million of losses before income taxes and minority interest, compared to ¥1,034 million of losses for the corresponding period of the previous fiscal year.

(Cash Flows from Investing Activities)

Net Cash provided by investing activities for the nine months ended December 31, 2010 was ¥1,990 million, compared to ¥142 million provided for the corresponding period of the previous fiscal year.

Cash provided during the nine months ended December 31, 2010 mainly comprised ¥1,795 million provided by net sales of investment securities, compared to ¥1,469 million used in net acquisition for the corresponding period of the previous fiscal year.

(Cash Flows from Financing Activities)

Net Cash used in financing activities for the nine months ended December 31, 2010 was ¥4,883 million, compared to ¥186 million used for the corresponding period of the previous fiscal year.

Cash used during the nine months ended December 31, 2010 mainly comprised ¥9,419 million used in net repayments of interest-bearing debt, compared to ¥134 million provided by net proceeds for the corresponding period of the previous fiscal year, offset by ¥3,982 million provided by proceeds from issuance of new shares and ¥1,800 million provided by proceeds from withdrawal of restricted cash in banks, compared to ¥204 million provided for the corresponding period of the previous fiscal year.

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

The Company is currently consulting with IBJ on issues including amendments to terms and conditions of the contracts, and the consolidated financial results will fluctuate depending on the future progress of the consultation; therefore, the consolidated financial forecasts for the fiscal year ending March 31, 2011 will be announced as soon as they are determined.

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

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

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

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

## 2. Other Information

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

None

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

Valuation Method for Inventories

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

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

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

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

As a result, operating losses and ordinary losses each increased by ¥2 million, and losses before income taxes and minority interest increased by ¥22 million for the nine months ended December 31, 2010.

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

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

### (4) Summary of Going Concern

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

In September 2010, Incubator Bank of Japan, Limited (“IBJ”) which was the Group’s major lender was put under control of Deposit Insurance Corporation of Japan due to administrative sanctions by the Financial Services Agency, and the Tokyo District Court made a judicial decision on commencement of civil rehabilitation proceedings by IBJ. Accordingly, the Group recorded ¥7,039 million of operating losses, ¥7,622 million of ordinary losses and ¥16,530 million of net losses for the nine months ended December 31, 2010, mainly due to impairment losses of ¥1,861 million on the entire amount of shares of IBJ held as well as allowance for loan losses of ¥6,650 million on the entire amount of long-term loans to IBJ in addition to impairment losses of ¥4,074 million on real estate for sale. As a result, the Group recorded ¥9,367 million of negative net worth as of December 31, 2010.

As of December 31, 2010, the Group borrowed ¥20,442 million, including obligation under securities buy-back agreements, from IBJ and ¥1,510 million from Small and Medium-sized Enterprises Guarantee Co., Ltd. (“SMEG”), which received a judicial decision on commencement of civil rehabilitation proceedings in October 2010. The Company entered into an agreement with IBJ on January 26, 2011 with regard to extension of the due date for repurchase of obligation under securities buy-back agreements of ¥7,200 million and payment of guarantees for receivable held by IBJ to February 28, 2011. In addition, the Company entered into a settlement agreement with SMEG with regard to three-month extension of the initial repayment term of borrowings to February 28, 2011. Nevertheless, the Company’s borrowings, including the borrowings described above, are due for repayment within one year; therefore, if the Company and other lenders including IBJ do not reach settlement in consultations regarding amendments to terms and condition of the contracts hereafter, it could significantly adversely affect the Group’s cash position.

These conditions raise substantial doubt concerning the Group’s ability to continue as a going concern.

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

See “Going Concern” on page 11 for details.

### 3. Quarterly Consolidated Financial Statements

#### (1) Consolidated Balance Sheets

	December 31, 2010	(Summary) March 31, 2010
	Amount	Amount
(In millions)		
<b>ASSETS:</b>		
<b>Current Assets:</b>		
Cash and deposits	¥ 2,703	¥ 5,097
Loans receivable	13,840	22,188
Receivables from guarantees paid	4,037	4,056
Real estate for sale	10,580	3,497
Real estate under construction for sale	-	6,193
Other	1,508	2,833
Allowance for loan losses	(3,211)	(3,892)
<b>Total Current Assets</b>	<b>29,459</b>	<b>39,974</b>
<b>Fixed Assets:</b>		
Tangible fixed assets	37	36
Intangible fixed assets	17	39
Investment and other assets:		
Investment securities	5,453	9,115
Long-term loans	7,942	7,952
Bankrupt and delinquent loans receivable	37,557	42,712
Other	1,014	2,395
Allowance for loan losses	(36,889)	(29,981)
Total investment and other assets	15,078	32,193
<b>Total Fixed Assets</b>	<b>15,133</b>	<b>32,269</b>
<b>Deferred Assets</b>	<b>21</b>	<b>33</b>
<b>Total Assets</b>	<b>¥44,614</b>	<b>¥72,277</b>

	December 31, 2010	(Summary) March 31, 2010
	Amount	Amount
(In millions)		
<b>LIABILITIES:</b>		
<b>Current Liabilities:</b>		
Short-term borrowings	¥ 17,386	¥ 22,497
Current portion of long-term borrowings	4,139	6,500
Obligation under security buy-back agreements	7,200	7,200
Accrued income taxes	1,386	1,298
Reserve for guarantee losses	1,075	1,022
Other	1,016	2,269
<b>Total Current Liabilities</b>	32,204	40,787
<b>Long-term Liabilities:</b>		
Bonds	2,831	3,236
Long-term borrowings	1,641	4,282
Reserve for guarantee losses	277	-
Reserve for losses on excess interest repayments	9,235	10,100
Reserve for losses on businesses of affiliated companies	-	1,466
Other	394	768
<b>Total Long-term Liabilities</b>	14,380	19,853
<b>Total Liabilities</b>	46,585	60,641
<b>NET ASSETS:</b>		
<b>Shareholders' Equity:</b>		
Common stock	28,289	26,289
Additional paid-in capital	32,180	30,180
Accumulated deficit	(66,172)	(49,642)
Treasury stock	(3,893)	(3,893)
<b>Total Shareholders' Equity</b>	(9,596)	2,934
<b>Valuation and Translation Adjustments:</b>		
Unrealized gains on investment securities	143	436
Deferred gains on hedging instruments	108	163
Foreign currency translation adjustments	(23)	(9)
<b>Total Valuation and Translation Adjustments</b>	229	591
<b>Minority Interest</b>	7,396	8,110
<b>Total Net Assets</b>	(1,970)	11,636
<b>Total Liabilities and Net Assets</b>	¥ 44,614	¥ 72,277

(2) Consolidated Statement of Operations  
For the Nine Months Ended December 31, 2009 and 2010

	Nine Months Ended December 31,	
	2009	2010
	Amount	Amount
	(In millions )	
<b>Operating Revenues</b>	¥8,686	¥ 5,292
<b>Operating Expenses</b>	6,696	7,678
<b>Net Operating Revenues (Expenses)</b>	1,990	(2,385)
<b>Selling, General and Administrative Expenses</b>	7,292	4,653
<b>Operating Losses</b>	(5,301)	(7,039)
<b>Other Income:</b>		
Interest received	228	152
Dividends received	67	25
Guarantee fees received	138	59
Equity in income of affiliates accounted for under the equity method	186	-
Gains on foreign exchange	460	391
Other	43	23
<b>Total Other Income</b>	1,124	652
<b>Other Expenses:</b>		
Interest expenses	1,333	956
Equity in losses of affiliates accounted for under the equity method	-	40
Losses on investment funds	142	189
Other	33	49
<b>Total Other Expenses</b>	1,509	1,235
<b>Ordinary Losses</b>	(5,686)	(7,622)
<b>Special Gains:</b>		
Gains on sales of fixed assets	0	-
Gains on sales of investment securities	4	547
Gains on reversal of accrued retirement benefits for directors	-	297
Gains on retirement of bonds repurchased	4,291	-
Other	949	49
<b>Total Special Gains</b>	5,245	894
<b>Special Losses:</b>		
Losses on disposal of fixed assets	0	7
Losses on impairment	60	0
Losses on impairment of investment securities	522	2,268
Provision for loan losses	-	7,083
Losses on adjustment for adoption of accounting standard for asset retirement obligations	-	20
Other	9	314
<b>Total Special Losses</b>	592	9,695
<b>Losses before Income Taxes and Minority Interest</b>	(1,034)	(16,423)
<b>Income Taxes:</b>		
Current	49	103
<b>Total Income Taxes</b>	49	103
<b>Losses before Minority Interest</b>	-	(16,526)
<b>Minority Interest in Net Income of Subsidiaries</b>	8	3
<b>Net Losses</b>	¥(1,092)	¥(16,530)

(3) Consolidated Statement of Cash Flows

	Nine Months Ended December 31,	
	2009	2010
	Amount	Amount
	(In millions)	
<b>Operating Activities:</b>		
Losses before income taxes and minority interest	¥(1,034)	¥(16,423)
Depreciation and amortization	36	15
Losses on impairment	60	0
(Decrease) Increase in allowance for loan losses	(1,458)	6,226
Decrease in reserve for losses on excess interest repayments	(890)	(1,619)
Decrease in reserve for losses on businesses of affiliated companies	(396)	-
Decrease in reserve for guarantee losses	(1,041)	(381)
Decrease in other reserves	(247)	(30)
Gains on foreign exchange	(460)	(381)
Interest and dividends received	(297)	(178)
Interest expenses	3,101	2,263
Equity in (gains) losses of affiliates accounted for under the equity method	(186)	40
Losses on sales and disposal of fixed assets	0	7
Gains on sales of investment securities	(4)	(400)
Losses on impairment of investment securities	522	2,268
Losses on impairment of real estate for sale and real estate under construction for sale	444	4,074
Compensation income	(39)	-
Gains on retirement of bonds repurchased	(4,291)	-
Charge-offs of loans receivable	5,083	3,170
Decrease in interest receivable	48	19
Decrease in advanced interest received	(13)	-
Other	(861)	(1,245)
Sub-total	(1,926)	(2,572)
Proceeds from interest and dividends received	296	180
Interest paid	(3,012)	(1,911)
Proceeds from compensation received	39	-
Income taxes paid	150	5
Sub-total	(4,451)	(4,297)
Decrease in loans receivable	4,465	5,571
Decrease in real estate for sale and real estate under construction for sale	1,739	294
<b>Net cash provided by operating activities</b>	<b>1,752</b>	<b>1,568</b>

**(Continued)**

	Nine Months Ended December 31,	
	2009	2010
	Amount	Amount
	(In millions)	
<b>(Continued)</b>		
<b>Investing Activities:</b>		
Time deposits	(110)	(100)
Proceeds from withdrawal of time deposits	200	310
Purchases of tangible fixed assets	(6)	(9)
Proceeds from sales of tangible fixed assets	11	-
Purchases of intangible fixed assets	(11)	(1)
Purchases of investment securities	(1,680)	(2,575)
Proceeds from sales of investment securities	211	4,370
Proceeds from sales of investment in affiliated companies	392	14
Payments for acquisition of investment in subsidiaries resulting in change in the scope of consolidation	(234)	-
Payments for sales of investment in subsidiaries resulting in change in the scope of consolidation	-	(6)
Proceeds from sales of investment in subsidiaries resulting in change in the scope of consolidation	795	-
Payments for loan origination	(1,204)	-
Proceeds from collections of loans receivable	1,710	-
Other	69	(12)
<b>Net cash provided by investing activities</b>	<b>142</b>	<b>1,990</b>
<b>Financing Activities:</b>		
Deposits of restricted cash in banks	(0)	(528)
Proceeds from withdrawal of restricted cash in banks	204	1,800
Proceeds from short-term borrowings	24,070	8,405
Repayments of short-term borrowings	(15,202)	(12,837)
Proceeds from long-term borrowings	9,822	2,120
Repayments of long-term borrowings	(9,975)	(7,104)
Payments for redemption of bonds	(8,580)	(3)
Proceeds from issuance of new shares	-	3,982
Proceeds from issuance of new shares to minority interest	991	556
Repayments to minority interest	(1,515)	(1,275)
Other	(0)	(0)
<b>Net cash used in financing activities</b>	<b>(186)</b>	<b>(4,883)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(14)</b>	<b>(10)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,694</b>	<b>(1,334)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>2,575</b>	<b>3,935</b>
<b>Net increase in cash and cash equivalents from newly consolidated Subsidiaries</b>	<b>-</b>	<b>3</b>
<b>Cash and cash equivalents at end of period</b>	<b>¥ 4,269</b>	<b>¥ 2,603</b>

(4) Going Concern

(April 1, 2010 ~ December 31, 2010)

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

In September 2010, Incubator Bank of Japan, Limited (“IBJ”) which was the Group’s major lender was put under control of Deposit Insurance Corporation of Japan due to administrative sanctions by the Financial Services Agency, and the Tokyo District Court made a judicial decision on commencement of civil rehabilitation proceedings by IBJ. Accordingly, the Group recorded ¥7,039 million of operating losses, ¥7,622 million of ordinary losses and ¥16,530 million of net losses for the nine months ended December 31, 2010, mainly due to impairment losses of ¥1,861 million on the entire amount of shares of IBJ held as well as allowance for loan losses of ¥6,650 million on the entire amount of long-term loans to IBJ in addition to impairment losses of ¥4,074 million on real estate for sale. As a result, the Group recorded ¥9,367 million of negative net worth as of December 31, 2010.

As of December 31, 2010, the Group borrowed ¥20,442 million, including obligation under securities buy-back agreements, from IBJ and ¥1,510 million from Small and Medium-sized Enterprises Guarantee Co., Ltd. (“SMEG”), which received a judicial decision on commencement of civil rehabilitation proceedings in October 2010. The Company entered into an agreement with IBJ on January 26, 2011 with regard to extension of the due date for repurchase of obligation under securities buy-back agreements of ¥7,200 million and payment of guarantees for receivable held by IBJ to February 28, 2011. In addition, the Company entered into a settlement agreement with SMEG with regard to three-month extension of the initial repayment term of borrowings to February 28, 2011. Nevertheless, the Company’s borrowings, including the borrowings described above, are due for repayment within one year; therefore, if the Company and other lenders including IBJ do not reach settlement in consultations regarding amendments to terms and condition of the contracts hereafter, it could significantly adversely affect the Group’s cash position.

These conditions raise substantial doubt concerning the Group’s ability to continue as a going concern. In order to resolve this situation, the Group is going to implement the following measures.

In addition, the Company decided to discontinue the moneylending business on December 31, 2010, and will continue its loan operation only for termination of the existing loan contracts as a deemed moneylender in accordance with the Moneylending Business Law. The Company expects that the discontinuance of moneylending business would have a limited effect on its consolidated results of operations because the Company has already been undertaking constraints on the origination of new loans.

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

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

2. Consultations with lenders

In October 2010, the Company sent a written notification to IBJ with regard to set-off of ¥8,579 million of credits, including ¥1,861 million of credit for payment of money equivalent to the amount of book value of shares of IBJ held by the Company and ¥6,650 million of credit for payment of money equivalent to the amount of the principal of loans to IBJ, against the same amount of debts, and the Company was consulting with IBJ on the overall debts, such as borrowings, including the matter of these set-offs. As a result, the Company entered into an agreement with IBJ on January 26, 2011 with regard to extension of the due date for repurchase of obligation under securities buy-back agreements of ¥7,200 million and payment of guarantees for receivable of ¥1,023 million held by IBJ to February 28, 2011 on the condition that the Company once withdrew the claim of set-off of ¥1,861 million of credit for payment of money equivalent to the amount of book value of shares of IBJ held by the Company and ¥6,650 million of credit for payment of money equivalent to the amount of the principal of loans to IBJ against the same amount of debts to IBJ. The Company will continue the consultation with IBJ aiming at settlement on amendments to terms and condition of the contracts. In addition, the Company will request other lenders, including SMEG, for refinance and others.

3. Establishment of a stable revenue base

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

In addition, with respect to the overseas trading business, the Group is engaging in trading support services which respond to various needs of mid-sized SMEs related to international trading such as factoring services, development of new customers and suppliers, and negotiation services, as well as consulting services on advancing into overseas markets for domestic and foreign mid-sized SMEs. Through these measures, the Group aims to ensure stable revenues in the overseas trading business.

Despite these measures, however, the Group recognizes substantial doubt concerning its ability to continue as a going concern at this time, because the possibility for the Group to ensure its operating revenues that could absorb increases in losses on excess interest repayments and loan loss-related expenses on loans receivable is highly dependent on external factors with uncertainties, and because the Company needs to continue consultations with IBJ and SMEG on issues including repayments of borrowings.

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

(5) Segment Information

**Business Segment Information**

Business segment information for the nine months ended December 31, 2009 is as follows:

	Nine Months Ended December 31, 2009					
	Integrated Financial Services	Real Estate Business	Other Businesses	Total	Eliminations	Consolidated
	(In millions)					
Operating revenues:						
(1) Operating revenues from third parties	¥4,050	¥4,249	¥386	¥ 8,686	¥ -	¥8,686
(2) Operating revenues from inter-segment sales or transfers	568	63	21	654	(654)	-
Total operating revenues	4,619	4,312	408	9,340	(654)	8,686
Operating (losses) income	¥(4,302)	¥(652)	¥ 4	¥(4,950)	¥(351)	¥(5,301)

Notes: 1. Classification of business segments

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

2. Main descriptions of each business segment

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

(Additional information)

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

**Geographical Segment Information**

Geographical segment information is omitted for the nine months ended December 31, 2009 as domestic operating revenues accounted for more than 90% of total operating revenues for all segments during the period.

**Overseas Operating Revenues**

Information on overseas operating revenues is omitted for the nine months ended December 31, 2009 as overseas operating revenues accounted for less than 10% of total operating revenues during the period.

**Segment Information**

(Additional information)

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

1. Summary of reporting segments

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

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

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

	Nine Months Ended December 31, 2010							Amount on the Consolidated Statement of Operations (Note 3)
	Reporting Segments						Adjustment (Note 2)	
	Integrated Financial Services	Investment Banking and Overseas Trading Business	Real Estate Business	Sub-total	Other (Note 1)	Total		
(In millions)								
Operating revenues:								
Operating revenues from third parties	¥ 1,988	¥2,118	¥991	¥5,097	¥195	¥5,292	¥ -	¥5,292
Operating revenues from inter-segment sales or transfers	538	9	64	612	1	614	(614)	-
Total operating revenues	2,526	2,127	1,056	5,710	196	5,906	(614)	5,292
Segment (losses) income	¥(2,496)	¥67	¥(4,083)	¥(6,512)	¥(11)	¥(6,524)	¥(514)	¥(7,039)

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

2. Adjustment of segment (losses) income of ¥(514) million includes elimination of inter-segment transactions.

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

(6) Note to Significant Changes in Shareholders' Equity

During the nine months ended December 31, 2010, common stock and additional paid-in capital increased by ¥2,000 million, respectively, as a result of completion of payment for issuance of new shares through a third-party allotment to Neoline Holdings Co., Ltd. on August 25, 2010. As of December 31, 2010, the amounts of common stock and additional paid-in capital were ¥28,289 million and ¥32,180 million, respectively.

(7) Significant Subsequent Events

In October 2010, the Company sent a written notification to IBJ with regard to set-off of ¥8,579 million of credits, including ¥1,861 million of credit for payment of money equivalent to the amount of book value of shares of IBJ held by the Company and ¥6,650 million of credit for payment of money equivalent to the amount of the principal of loans to IBJ, against the same amount of debts, and the Company was consulting with IBJ on the overall debts, such as borrowings, including the matter of these set-offs. As a result, the Company entered into an agreement with IBJ on January 26, 2011 with regard to extension of the due date for repurchase of obligation under securities buy-back agreements of ¥7,200 million and payment of guarantees for receivable of ¥1,023 million held by IBJ to February 28, 2011 on the condition that the Company once withdrew the claim of set-off of ¥1,861 million of credit for payment of money equivalent to the amount of book value of shares of IBJ held by the Company and ¥6,650 million of credit for payment of money equivalent to the amount of the principal of loans to IBJ against the same amount of debts to IBJ.

The Company will continue the consultation with IBJ aiming at settlement on amendments to terms and condition of the contracts.

#### 4. Supplementary Information

##### Operating Results of the Group

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

	Nine Months Ended December 31, 2010	
	Amount	Percentage of Total
(In millions except percentages)		
<b>Integrated Financial Services:</b>		
Interest income from notes and loans receivable:		
Secured loans	¥ 410	7.7%
SME loans	180	3.4
Discount notes	-	-
Consumer loans	316	6.0
Total	906	17.1
Fees received	5	0.1
Guarantee fees received	545	10.3
Other	530	10.1
Total	1,081	20.5
Sub-total	1,988	37.6
<b>Investment Banking and Overseas Trading Business:</b>		
Revenue from investment banking	244	4.6
Revenue from overseas trading	1,532	29.0
Other	341	6.4
Sub-total	2,118	40.0
<b>Real Estate Business:</b>		
Revenue from sales of real estate	490	9.3
Other	501	9.4
Sub-total	991	18.7
<b>Other Businesses:</b>		
Other	195	3.7
Sub-total	195	3.7
<b>Total</b>	<b>¥5,292</b>	<b>100.0%</b>

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

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

(2) Operating Assets by Business Segment

	December 31, 2010	
	Amount	Percentage of Total
	(In millions except percentages)	
<b>Integrated Financial Services:</b>		
Notes and loans receivable:		
Secured Loans	¥ 3,852	13.3%
SME loans	5,837	20.2
Discount notes	0	0.0
Consumer loans	4,150	14.4
Total	13,840	47.9
Receivables from guarantees paid	4,037	14.0
Other	215	0.8
Sub-total	18,094	62.7
<b>Investment Banking and Overseas Trading Business:</b>		
Goods in trade	214	0.7
Sub-total	214	0.7
<b>Real Estate Business:</b>		
Real estate for sale	10,580	36.6
Sub-total	10,580	36.6
<b>Other Businesses:</b>		
Other	-	-
Sub-total	-	-
<b>Total</b>	<b>¥28,889</b>	<b>100.0%</b>

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

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

	December 31, 2010	
	Amount	
	(In millions )	
Guarantees for loans and accounts receivable	¥7,848	

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