

Quarterly Financial Report

(Japanese GAAP)

This report is an English translation of “Shihanki-Houkokusho” as of and for the six months ended September 30, 2011, filed through the Electronic Disclosure for Investors’ Network (EDINET) in Japan, pursuant to the Japanese Financial Instruments and Exchange Law, Regulation Section 27-30 Paragraph 2.

Quarterly Financial Report

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FIRST SECTION: CORPORATE INFORMATION

Note: All amounts are rounded down to the nearest million yen, and all percentages are rounded to the nearest one-tenth of one percent in this quarterly financial report.

ITEM 1. OVERVIEW OF THE CORPORATION

1. KEY FINANCIAL DATA AND TRENDS

	Six Months Ended / As of September 30, 2010	Six Months Ended / As of September 30, 2011	Year Ended / As of March 31, 2011
(In millions except percentages, per share data and number of employees)			
Consolidated Financial Data:			
Operating revenues	¥ 3,250	¥ 2,557	¥ 6,611
Ordinary losses	5,937	1,361	11,777
Net losses	14,602	5,197	20,508
Comprehensive losses	15,079	5,507	21,018
Net assets	270	(12,254)	(6,248)
Total assets	47,867	34,306	39,566
Net losses per share (in yen):			
Basic	47.59	10.94	53.35
Diluted	-	-	-
Net worth ratio (%)	(15.8)	(55.4)	(34.1)
Net cash provided by operating activities	872	1,525	1,665
Net cash provided (used in) by investing activities	1,942	(304)	2,183
Net cash used in financing activities	(4,052)	(872)	(5,272)
Cash and cash equivalents at end of period	2,694	2,852	2,503

	Three Months Ended September 30, 2010	Three Months Ended September 30, 2011
(In yen)		
Consolidated Financial Data:		
Net losses per share	40.89	3.12

Notes: 1. Non-consolidated key financial data and trends are omitted because the quarterly consolidated financial statements are prepared.

2. Consumption taxes are excluded from operating revenues.

3. The Accounting Standard Board of Japan Statement No. 25 "Accounting Standard for Presentation of Comprehensive Income," which was issued on June 30, 2010, was retroactively adopted for the calculation of comprehensive losses for the six months ended September 30, 2010.

4. Diluted net income per share for the six months ended September 30, 2011 and the year ended March 31, 2011 is not presented because of net losses per share.

2. DESCRIPTION OF BUSINESS

There were no significant changes in the business operations of the NIS Group corporate group, comprised of NIS Group Co., Ltd., (the "Company") and its subsidiaries and affiliates (collectively the "Group") during the six months ended September 30, 2011.

In addition, there were no changes in the principal subsidiaries and affiliates.

ITEM 2. OVERVIEW OF BUSINESS

1. OPERATING RESULTS

Operating Results of the Company

A. Disclosure under the “Regulation for Disclosure of Special Finance Companies”

1) Loans Outstanding by Category

Loan Category	September 30, 2010				
	Number of Accounts	Percentage of Total	Balance	Percentage of Total	Average Interest Rate
(In millions except accounts, percentages and interest rates)					
Consumers:					
Unsecured loans (excluding housing loans)	5,868	54.1%	¥4,705	25.7%	20.81%
Secured loans (excluding housing loans)	28	0.3	76	0.4	15.79
Housing loans	-	-	-	-	-
Sub-total	5,896	54.4	4,782	26.1	20.73
SMEs:					
Unsecured loans	4,871	44.9	5,934	32.5	23.09
Secured loans	81	0.7	7,572	41.4	7.04
Discount notes	-	-	-	-	-
Sub-total	4,952	45.6	13,507	73.9	14.09
Total	10,848	100.0%	¥18,289	100.0%	15.83%

Loan Category	September 30, 2011				
	Number of Accounts	Percentage of Total	Balance	Percentage of Total	Average Interest Rate
(In millions except accounts, percentages and interest rates)					
Consumers:					
Unsecured loans (excluding housing loans)	3,440	51.0%	¥2,427	23.7%	20.99%
Secured loans (excluding housing loans)	23	0.3	122	1.2	12.14
Housing loans	-	-	-	-	-
Sub-total	3,463	51.3	2,549	24.9	20.56
SMEs:					
Unsecured loans	3,258	48.3	3,761	36.8	23.28
Secured loans	29	0.4	3,915	38.3	7.00
Discount notes	-	-	-	-	-
Sub-total	3,287	48.7	7,677	75.1	14.98
Total	6,750	100.0%	¥10,226	100.0%	16.37%

2) Loans Outstanding by Type of Pledged Assets

Pledged Assets	September 30,							
	2010				2011			
	Number of Accounts	Percentage of Total	Balance	Percentage of Total	Number of Accounts	Percentage of Total	Balance	Percentage of Total
(In millions except accounts and percentages)								
Investment securities	2	0.0%	¥ 41	0.2%	2	0.0%	¥ 39	0.4%
Of which equity stock	2	0.0	41	0.2	2	0.0	39	0.4
Receivables	15	0.1	289	1.6	6	0.1	28	0.3
Of which bank deposits	-	-	-	-	-	-	-	-
Commodities	2	0.0	120	0.7	-	-	-	-
Real estate	90	0.9	7,197	39.3	44	0.7	3,970	38.8
Foundations	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Sub-total	109	1.0	7,649	41.8	52	0.8	4,037	39.5
Guaranteed	7,819	72.1	8,929	48.8	5,076	75.2	5,222	51.1
Unsecured	2,920	26.9	1,711	9.4	1,622	24.0	966	9.4
Discount notes	-	-	-	-	-	-	-	-
Sub-total	10,739	99.0	10,640	58.2	6,698	99.2	6,189	60.5
Total	10,848	100.0%	¥18,289	100.0%	6,750	100.0%	¥10,226	100.0%

3) Loans Outstanding by Loan Term

Loan Term	September 30,							
	2010				2011			
	Number of Accounts	Percentage of Total	Balance	Percentage of Total	Number of Accounts	Percentage of Total	Balance	Percentage of Total
	(In millions except accounts and percentages)							
Revolving loans	2,920	26.9%	¥ 1,711	9.4%	1,622	24.0%	¥ 966	9.5%
1 year or less	103	1.0	6,419	35.1	60	0.9	2,817	27.6
Over 1 year to 5 years	7,185	66.2	9,000	49.2	4,624	68.5	5,833	57.0
Over 5 years to 10 years	639	5.9	1,156	6.3	443	6.6	607	5.9
Over 10 years to 15 years	1	0.0	1	0.0	1	0.0	1	0.0
Over 15 years to 20 years	-	-	-	-	-	-	-	-
Over 20 years to 25 years	-	-	-	-	-	-	-	-
Over 25 years	-	-	-	-	-	-	-	-
Total	10,848	100.0%	¥18,289	100.0%	6,750	100.0%	¥10,226	100.0%
Average loan term per account	52 months				53 months			

Note: The average loan term per account is calculated based on the assumption that the loan term of revolving loans is three years, as the contract is automatically renewed every three years.

4) Loans Outstanding by Type of Industry

Type of Industry	September 30,							
	2010				2011			
	Number of Accounts	Percentage of Total	Balance	Percentage of Total	Number of Accounts	Percentage of Total	Balance	Percentage of Total
	(In millions except accounts and percentages)							
Manufacturing	249	2.3%	¥ 655	3.6%	173	2.6%	¥ 263	2.6%
Construction	521	4.8	682	3.7	347	5.1	476	4.7
Public utilities	-	-	-	-	-	-	-	-
Transportation / Communication	143	1.3	273	1.5	96	1.4	120	1.2
Wholesale / Retail / Restaurants	2,740	25.3	2,991	16.4	1,806	26.8	1,866	18.3
Finance / Insurance	38	0.4	55	0.3	23	0.3	24	0.2
Real estate	91	0.8	2,876	15.7	63	0.9	2,720	26.6
Services	1,020	9.4	5,803	31.7	663	9.8	2,080	20.3
Individuals	5,896	54.3	4,782	26.2	3,463	51.3	2,549	24.9
Other	150	1.4	167	0.9	116	1.8	124	1.2
Total	10,848	100.0%	¥18,289	100.0%	6,750	100.0%	¥10,226	100.0%

5) Funding Status

	September 30,			
	2010		2011	
	Amount	Average Borrowing Interest Rate	Amount	Average Borrowing Interest Rate
	(In millions except accounts and percentages)			
Borrowings from financial institutions	¥17,771	3.42%	¥17,233	3.97%
Other	23,205	14.07	20,001	8.88
Of which bonds	2,912	9.56	2,433	9.53
Total	¥40,976	5.51%	¥37,234	6.63%
Company's capital	¥53,111	-%	¥31,952	-%
Of which common stock	28,289	-	28,289	-

Notes: 1. The Company's capital represents the amount of total assets plus allowances and reserves (including those under special laws), less the sum of total liabilities and the planned amount of dividends.

2. The average borrowing interest rate is the weighted-average interest rate of borrowings during the period.

B. Overview of Operations

1) Number of Branches

	September 30,	
	2010	2011
Manned branches and loan offices	2	2

2) Operating Revenues

(a) Operating Revenue by Operating Activity

	Six Months Ended September 30,			
	2010		2011	
	Amount	Percentage of Total	Amount	Percentage of Total
	(In millions except percentages)			
Interest income from notes and loans receivable:				
Secured loans	¥ 298	13.2	¥ 92	7.5
SME loans	135	6.0	56	4.6
Discount notes	-	-	-	-
Consumer loans	233	10.3	76	6.3
Sub-total	667	29.5	225	18.4
Other financial income:				
Interest income from deposits	0	0.0	0	0.0
Interest income from securities	320	14.1	-	-
Other	-	-	-	-
Sub-total	320	14.1	0	0.0
Sales from the real estate business:				
Revenue from sales of real estate	-	-	-	-
Rental revenues from real estate	21	1.0	20	1.7
Other	216	9.6	230	18.9
Sub-total	238	10.6	251	20.6
Other operating income:				
Fees received	5	0.2	-	-
Recovery from loans previously charged-off	331	14.6	686	56.1
Guarantee fees received	396	17.5	42	3.5
Other	306	13.5	16	1.4
Sub-total	1,040	45.8	745	61.0
Total	¥2,266	100.0%	¥1,222	100.0%

Note: Consumption taxes are excluded from the amounts presented above.

(b) Interest Income from Notes and Loans Receivable by Region

Region	Six Months Ended September 30,			
	2010		2011	
	Amount	Percentage of Total	Amount	Percentage of Total
	(In millions except percentages)			
Hokkaido	¥ -	-%	¥ -	-%
Tohoku	-	-	-	-
Kanto	667	100.0	225	100.0
Chubu	-	-	-	-
Kinki	-	-	-	-
Chugoku	-	-	-	-
Shikoku	-	-	-	-
Kyushu	-	-	-	-
Total	¥667	100.0%	¥225	100.0%

Notes: 1. Consumption taxes are excluded from the amounts presented above.

2. "Regions" are categorized by location of branches and/or loan offices.

The prefectures included in each region are as follows:

(The same definitions of regions also apply to those under 4) - (d))

Hokkaido: -
 Tohoku: -
 Kanto: Saitama, Tokyo
 Chubu: -
 Kinki: -
 Chugoku: -
 Shikoku: -
 Kyushu: -

3) Originated Loan Amounts by Product

Loan Product	Six Months Ended September 30,			
	2010		2011	
	Amount	Percentage of Total	Amount	Percentage of Total
	(In millions except percentages)			
Secured loans	¥ -	-%	¥-	-%
SME loans	2,191	98.1	-	-
Discount notes	-	-	-	-
Consumer loans	43	1.9	-	-
Total	¥2,234	100.0%	¥-	-%

4) Loans Outstanding

(a) Loans Outstanding by Product

Loan Product	September 30,							
	2010				2011			
	Number of Accounts	Percentage of Total	Balance	Percentage of Total	Number of Accounts	Percentage of Total	Balance	Percentage of Total
	(In millions except accounts and percentages)							
Secured loans	74	0.7%	¥7,203	39.4%	33	0.5%	¥3,983	39.0%
SME Loans	4,895	45.1	6,353	34.7	3,267	48.4	3,793	37.0
Discount notes	-	-	-	-	-	-	-	-
Consumer loans	5,879	54.2	4,732	25.9	3,450	51.1	2,449	24.0
Total	10,848	100.0%	¥18,289	100.0%	6,750	100.0%	¥10,226	100.0%

(b) Loans Outstanding by Loan Balance

Loan Balance	September 30,							
	2010				2011			
	Number of Accounts	Percentage of Total	Balance	Percentage of Total	Number of Accounts	Percentage of Total	Balance	Percentage of Total
	(In millions except accounts and percentages)							
¥500,000 or less	4,442	41.0%	¥ 945	5.2%	3,058	45.2%	¥ 672	6.6%
¥500,001 ~ ¥1,000,000	2,532	23.3	1,853	10.1	1,532	22.7	1,113	10.9
¥1,000,001 ~ ¥3,000,000	3,275	30.2	5,428	29.7	1,840	27.3	3,082	30.1
¥3,000,001 ~ ¥5,000,000	435	4.0	1,606	8.8	233	3.5	870	8.5
¥5,000,001 ~ ¥10,000,000	92	0.8	598	3.3	63	0.9	421	4.1
Over ¥10,000,000	72	0.7	7,857	42.9	24	0.4	4,066	39.8
Total	10,848	100.0%	¥18,289	100.0%	6,750	100.0%	¥10,226	100.0%
Average balance of loans outstanding per account (in thousands)			¥1,686				¥1,515	

(c) Loans Outstanding by Interest Rate

Interest Rate	September 30,							
	2010				2011			
	Number of Accounts	Percentage of Total	Balance	Percentage of Total	Number of Accounts	Percentage of Total	Balance	Percentage of Total
	(In millions except accounts and percentages)							
Less than 15%	372	3.5%	¥8,291	45.3%	297	4.4%	¥ 4,353	42.6%
From 15% to less than 20%	2,031	18.7	2,676	14.6	1,414	20.9	1,413	13.8
From 20% to less than 25%	5,620	51.8	5,755	31.5	3,411	50.6	3,515	34.4
From 25% to 29.2%	2,825	26.0	1,566	8.6	1,628	24.1	944	9.2
Total	10,848	100.0%	¥18,289	100.0%	6,750	100%	¥10,226	100.0%
Average contractual interest rate (%)			15.79%				16.37%	

Note: The average contractual interest rate is the weighted-average interest rate as of September 30 and does not include fees, etc.

(d) Loans Outstanding by Region

Region	September 30,							
	2010				2011			
	Number of Accounts	Percentage of Total	Balance	Percentage of Total	Number of Accounts	Percentage of Total	Balance	Percentage of Total
	(In millions except accounts and percentages)							
Hokkaido	-	-%	¥ -	-%	-	-%	¥ -	-%
Tohoku	-	-	-	-	-	-	-	-
Kanto	10,848	100.0	18,289	100.0	6,570	100.0	10,226	100.0
Chubu	-	-	-	-	-	-	-	-
Kinki	-	-	-	-	-	-	-	-
Chugoku	-	-	-	-	-	-	-	-
Shikoku	-	-	-	-	-	-	-	-
Kyushu	-	-	-	-	-	-	-	-
Total	10,848	100.0%	¥18,289	100.0%	6,570	100.0%	¥10,226	100.0%

Note: The definitions of the regions are listed in 2) - (b).

2. BUSINESS RISK FACTORS

Forward-looking statements in the following sections reflect our judgment based on the information available as of the filing date of this Quarterly Financial Report.

The Group has continuously recorded significant operating losses, ordinary losses and net losses since the fiscal year ended March 31, 2008. During the previous fiscal year, the Group recorded negative net worth 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 had to negotiate with its lenders at every due date because each extension period of maturity dates as a result of such negotiations was short term.

During the six months ended September 30, 2011, the Group also recorded operating losses of ¥1,083 million, ordinary losses of ¥1,361 million, and net losses of ¥5,197 million. As a result, the Group recorded ¥19,009 million of negative net worth as of September 30, 2011.

Also, the Company sent a written notification to IBJ regarding a set-off of mutual debts between the Company and IBJ in the corresponding amount, and subsequently received a written notification from IBJ regarding an objection to a part of the set-off and a claim for an acceleration of due dates for the repayments. Then the borrowings from IBJ, including obligations under security buy-back agreements which were transferred on October 26, 2011, were transferred to Resolution and Collection Corporation (“RCC”). The Group’s interest-bearing debt including these borrowings as of September 30, 2011 was ¥32,351 million, of which the Group defaulted on ¥23,340 million because of overdue. With regard to the remaining interest-bearing debt, ¥8,901 million is due for repayment within one year. The Group is currently negotiating with its lenders including RCC on issues such as amendments to terms and conditions of the contracts in order to resolve this situation. However, the Group’s cash position could be adversely affected depending on the negotiations with these lenders.

These conditions have continuously raised substantial doubt concerning the Group’s ability to continue as a going concern since the previous fiscal year.

3. SIGNIFICANT CONTRACTS

None

4. MANAGEMENT’S DISCUSSION AND ANALYSIS

Forward-looking statements in the following sections reflect our judgment based on the information available as of September 30, 2011.

(1) Management’s Discussion and Analysis on Financial Position, Results on Operations and Cash Flows

1) Analysis of Business Performance

For the six months ended September 30, 2011, Japanese economy has been uncertain due to the global economic slowdown and appreciation of the yen, although companies’ capital investments and private consumption showed a modest recovery reflecting ease of supply constraint caused by the Japan’s earthquake. In addition, employment and income situation has remained severe.

In this business environment, NIS Group Co., Ltd. (the “Company”) and its subsidiaries and affiliates (collectively, the “Group”) recorded ¥13,509 million of negative net worth as of March 31, 2011 and, accordingly, the Company received a notice from Tokyo Stock Exchange, Inc. regarding reassignment of the Company’s stock from First Section to Second Section of the Tokyo Stock Exchange due to confirmation of liabilities in excess of assets in accordance with the delisting criteria for the main market. As a result, the Company’s stock has been reassigned to the Second Section since August 1, 2011.

With regard to the financial results for the six months ended September 30, 2011, total operating revenues were ¥2,557 million, a decrease of ¥693 million, or 21.3%, 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, offset by net sales of goods of ¥1,095 million of a consolidated subsidiary engaging in export and sale of used cars.

Operating losses were ¥1,083 million, compared to ¥5,504 million of operating losses for the corresponding period of the previous fiscal year, due to selling, general and administrative expenses including loan loss-related costs.

Ordinary losses were ¥1,361 million, compared to ¥5,937 million of ordinary losses for the corresponding period of the previous fiscal year. This is mainly attributable to ¥598 million of interest expenses incurred as other expenses, offset by gains of ¥206 million on foreign exchange incurred as other income.

Net losses were ¥5,197 million, compared to ¥14,602 million of net losses for the corresponding period of the previous fiscal year. This is mainly attributable to losses of ¥2,665 million on impairment of investment securities and losses of ¥1,171 million on forward contracts.

Operating results by segment are described below:

i) Integrated Financial Services

In integrated financial services, the Company engages in loan operation only for termination of the existing loan contracts as a deemed moneylender and aims to maximize collection of loans receivable.

As a result, operating revenues from integrated financial services for the six months ended September 30, 2011 were ¥960 million, a decrease of ¥322 million, or 25.1%, compared with the corresponding period of the previous fiscal year, and segment losses were ¥1,115 million, compared to ¥1,161 million of segment losses for the corresponding period of the previous fiscal year.

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 six months ended September 30, 2011 were ¥1,169 million, a decrease of ¥214 million, or 15.5%, compared with the corresponding period of the previous fiscal year, and segment losses were ¥181 million, compared to ¥66 million of segment income for the corresponding period of the previous fiscal year.

iii) Real Estate Business

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

As a result, operating revenues from the real estate business for the six months ended September 30, 2011 were ¥427 million, an increase of ¥39 million, or 10.1%, compared with the corresponding period of the previous fiscal year, and segment income was ¥24 million, compared to ¥4,114 million of segment losses for the corresponding period of the previous fiscal year.

iv) Other

Operating revenues from other businesses for the six months ended September 30, 2011 were ¥0 million, a decrease of ¥195 million, or 100.0%, compared with the corresponding period of the previous fiscal year, and segment losses were ¥2 million, compared to ¥11 million of segment losses for the corresponding period of the previous fiscal year.

2) Analysis of Consolidated Financial Position

As of September 30, 2011, total assets were ¥34,306 million, a decrease of ¥5,260 million, or 13.3%, compared with the end of the previous fiscal year. This is mainly attributable to a decrease of ¥1,959 million in loans receivable and ¥2,584 million in investment securities and ¥1,208 million in bankrupt and delinquent loans receivable, compared with the end of the previous fiscal year, respectively

As of September 30, 2011, total liabilities were ¥46,560 million, an increase of ¥744 million, or 1.6%, compared with the end of the previous fiscal year. This is mainly attributable to ¥1,171 million of forward contracts incurred as long-term liabilities.

As of September 30, 2011, net assets were minus ¥12,254 million, compared to minus ¥6,248 million as of the end of the previous fiscal year. This is mainly attributable to a decrease of ¥5,197 million in retained earnings because of net losses for the six months ended September 30, 2011.

3) Cash Flows

As of September 30, 2011, cash and cash equivalents (“Cash”) were ¥2,852 million, an increase of ¥348 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 operating activities for the six months ended September 30, 2011 was ¥1,525 million, compared to ¥872 million provided for the corresponding period of the previous fiscal year.

Cash used during the six months ended September 30, 2011 mainly comprised ¥1,565 million of charge-offs of loans receivable, compared to ¥2,209 million for the corresponding period of the previous fiscal year, ¥2,665 million of losses on impairment of investment securities, compared to ¥2,110 million for the corresponding period of the previous fiscal year, ¥1,171 million of losses on forward contracts, and ¥1,713 million provided by net collection of loans receivable, compared to ¥4,055 million provided for the corresponding period of the previous fiscal year, offset by ¥5,196 million of losses before income taxes and minority interest, compared to ¥14,525 million of losses for the corresponding period of the previous fiscal year.

(Cash Flows from Investing Activities)

Net Cash used in investing activities for the six months ended September 30, 2011 was ¥304 million, compared to ¥1,942 million provided for the corresponding period of the previous fiscal year.

Cash used during the six months ended September 30, 2011 mainly comprised ¥489 million used in net acquisition of investment securities, compared to ¥1,688 million provided by net sales of investment securities for the corresponding period of the previous fiscal year.

(Cash Flows from Financing Activities)

Net Cash used in financing activities for the six months ended September 30, 2011 was ¥872 million, compared to ¥4,052 million used for the corresponding period of the previous fiscal year.

Cash used during the six months ended September 30, 2011 mainly comprised ¥429 million used in net repayments of interest-bearing debt, compared to ¥9,019 million used for the corresponding period of the previous fiscal year, and ¥498 million used in repayments to minority interest, compared to ¥843 million used for the corresponding period of the previous fiscal year.

ITEM 3. OVERVIEW OF THE COMPANY

1. INFORMATION ON CAPITAL STOCK

(1) Total Number of Shares

1) Total Number of Authorized Shares

Type of Shares	Number of Shares (Shares)
Common stock	630,000,000
Total	630,000,000

2) Total Number of Issued Shares

Type of Shares	September 30, 2011	November 11, 2011	Stock Exchange	Details
	(Shares)	(Filing Date) (Shares)		
Common stock	481,188,550	481,188,550	Tokyo Stock Exchange (Second Section)	Each unit under the Japanese Unit Share System equals 100 shares of common stock.
Total	481,188,550	481,188,550	-	-

Notes: 1. The number of issued shares of common stock as of the filing date does not include the number of shares newly issued upon exercises of stock acquisition rights during the period from November 1, 2011 to the filing date of this Quarterly Financial Report.

2. The Company's stock was reassigned from First Section to Second Section of the Tokyo Stock Exchange as of August 1, 2011.

(2) Information on Stock Acquisition Rights and Convertible Bonds

Not Applicable

(3) Exercise of Moving Strike Warrants

Not Applicable

(4) Summary of Rights Plan

Not Applicable

(5) Changes in the Number of Issued Shares and Balance of Paid-in Capital

Date	Change in Issued Shares of Common Stock	Balance of Issued Shares of Common Stock	Change in Common Stock	Balance of Common Stock	Change in Additional Paid-in Capital	Balance of Additional Paid-in Capital
(In millions except shares)						
September 30, 2011	-	481,188,550	¥-	¥28,289	¥-	¥30,586

(6) Major Shareholders

Name	Address	September 30, 2011	
		Number of Shares Owned (Thousand shares)	Percentage of Total Issued Shares
Neoline Holdings Co., Ltd.	7-12 Toranomom 1-chome, Minato-ku, Tokyo	235,294	48.90%
Small and Medium-sized Enterprises Guarantee Co., Ltd.	4-16 Kyomachibori 1-chome, Nisi-ku, Osaka City	19,899	4.14
J-Next Co., Ltd.	2-2 Amanuma 3-chome, Suginami-ku, Tokyo	19,896	4.13
Crest Investments Co., Ltd.	1-3 Kamiyama-cho, Kita-ku, Osaka City	19,896	4.13
Japan Innovation Co., Ltd.	5-6 Nishi-kanda 2-chome, Chiyoda-ku, Tokyo	19,896	4.13
L'espoir Investment Limited Partnership	9-11 Asakusabashi 4-chome, Taito-ku, Tokyo	19,500	4.05
Nissin Building Co., Ltd.	7-6 Chifune-machi 5-chome, Matsuyama City, Ehime	15,492	3.22
Tatsuo Hirai	Fujieda City, Shizuoka	3,015	0.63
Mellon Bank Treaty Clients Omnibus (Standing Proxy: Mizuho Corporate Bank Ltd.)	One Boston Place Boston, MA 02108 USA (16-13, Tsukishima 4-chome Chuo-ku, Tokyo)	1,329	0.28
Midori Furumitsu	Mita City, Hyogo	1,000	0.21
Total	-	355,218	73.82%

Note: 6,290 thousand shares of treasury stock, comprising 1.31% of total number of issued shares as of September 30, 2011, are not included in the above list of major shareholders.

(7) Voting Rights of Capital Stock

1) Issued Shares

Type	Number of Shares	Number of Voting Rights	Details
Non-voting capital stock	-	-	-
Capital stock with restricted voting rights (Treasury stock)	-	-	-
Capital stock with restricted voting rights (Others)	-	-	-
Capital stock with voting rights (Treasury stock)	(Treasury stock) Common stock: 6,290,500	-	-
Capital stock with voting rights (Others)	Common stock: 473,774,700	4,737,747	-
Capital stock below one unit under the Japanese Unit Share System	Common stock: 1,123,350	-	-
Total number of issued shares	481,188,550	-	-
Total number of voting rights	-	4,737,747	-

Note: 26 shares of treasury stock are included in "Capital stock below one unit under the Japanese Unit Share System."

2) Treasury Stock

Owner	Address	Shares of Common Stock Owned As of September 30, 2011			
		Under the Company's Name	Under Other Names	Total Number of Shares	Percentage of Total Issued Shares
(Treasury stock) NIS Group Co., Ltd.	7-6, Chifune-machi 5-chome, Matsuyama City, Ehime	6,290,500	-	6,290,500	1.31%
Total	-	6,290,500	-	6,290,500	1.31%

2. MEMBERS OF THE BOARD OF DIRECTORS

Not Applicable

ITEM 4. FINANCIAL STATEMENTS

1. In respect of the requirements for the preparation of quarterly consolidated financial statements:

The preparation of the quarterly consolidated financial statements conforms to the Regulations concerning Terminology, Format and Preparation Method of Quarterly Consolidated Financial Statements (Cabinet Office Ordinance No. 64, 2007).

2. In respect of the report of independent certified public accountants:

The quarterly consolidated financial statements as of and for the three months and six months ended September 30, 2011 were reviewed by Sanyu & Co. pursuant to the Japanese Financial Instruments and Exchange Law, Regulation 193-2-1.

1. QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS

(1) Quarterly Consolidated Balance Sheets

	March 31, 2011	September 30, 2011
	Amount	Amount
(In millions)		
ASSETS:		
Current Assets:		
Cash and deposits	¥ 2,603	¥ 2,902
Loans receivable	(Note 2) 12,186	(Note 2) 10,226
Receivables from guarantees paid	4,146	3,672
Real estate for sale	9,806	9,839
Other	1,234	963
Allowance for loan losses	(3,574)	(3,367)
Total Current Assets	26,404	24,236
Fixed Assets:		
Tangible fixed assets	26	50
Intangible fixed assets	3	3
Investment and other assets:		
Long-term loans	7,938	7,932
Bankrupt and delinquent loans receivable	(Note 2) 36,803	(Note 2) 35,594
Other	6,045	3,442
Allowance for loan losses	(37,672)	(36,963)
Total investment and other assets	13,115	10,006
Total Fixed Assets	13,145	10,060
Deferred Assets	16	9
Total Assets	¥ 39,566	¥ 34,306

Quarterly Financial Report

	March 31, 2011	September 30, 2011
	Amount	Amount
(In millions)		
LIABILITIES:		
Current Liabilities:		
Short-term borrowings	¥ 17,491	¥ 17,183
Current portion of bonds	-	2,433
Current portion of long-term borrowings	4,064	5,424
Obligation under security buy-back agreements	7,200	7,200
Accrued income taxes	1,294	1,366
Reserve for guarantee losses	889	1,282
Other reserves	6	1
Other	911	1,317
Total Current Liabilities	31,857	36,209
Long-term Liabilities:		
Bonds	2,640	-
Long-term borrowings	1,592	110
Reserve for guarantee losses	273	-
Reserve for losses on excess interest repayments	9,191	8,857
Other	259	1,383
Total Long-term Liabilities	13,957	10,350
Total Liabilities	45,815	46,560
NET ASSETS:		
Shareholders' Equity:		
Common stock	28,289	28,289
Additional paid-in capital	32,180	32,180
Accumulated deficit	(70,150)	(75,347)
Treasury stock	(3,893)	(3,893)
Total Shareholders' Equity	(13,573)	(18,771)
Accumulated Other Comprehensive Income:		
Unrealized gains (losses) on investment securities	7	(264)
Deferred gains on hedging instruments	82	48
Foreign currency translation adjustments	(24)	(22)
Total Accumulated Other Comprehensive Income	64	(238)
Minority Interest	7,260	6,755
Total Net Assets	(6,248)	(12,254)
Total Liabilities and Net Assets	¥ 39,566	¥ 34,306

(2) Quarterly Consolidated Statements of Operations and Comprehensive Income

Quarterly Consolidated Statements of Operations
For the Six Months Ended September 30, 2010 and 2011

	Six Months Ended September 30,	
	2010	2011
	Amount	Amount
	(In millions)	
Operating Revenues	¥ 3,250	¥ 2,557
Operating Expenses	6,117	1,671
Net Operating (Expenses) Revenues	(2,867)	885
Selling, General and Administrative Expenses	(Note 1) 2,636	(Note 1) 1,968
Operating Losses	(5,504)	(1,083)
Other Income:		
Gains on foreign exchange	320	206
Other	215	159
Total Other Income	535	365
Other Expenses:		
Interest expenses	740	598
Other	228	44
Total Other Expenses	968	642
Ordinary Losses	(5,937)	(1,361)
Special Gains:		
Gains on sales of investment securities	513	13
Gains on sales of capital contributions to affiliated companies	-	4
Other	346	2
Total Special Gains	859	19
Special Losses:		
Losses on impairment of investment securities	2,110	2,665
Losses on forward contracts	-	1,171
Other	7,337	17
Total Special Losses	9,447	3,854
Losses before Income Taxes and Minority Interest	(14,525)	(5,196)
Income Taxes:		
Current	77	7
Total Income Taxes	77	7
Losses before Minority Interest	(14,602)	(5,204)
Minority Interest in Net Losses of Subsidiaries	(0)	(6)
Net Losses	¥(14,602)	¥(5,197)

**Quarterly Consolidated Statements of Comprehensive Income
For the Six Months Ended September 30, 2010 and 2011**

	Six Months Ended September 30,	
	2010	2011
	Amount	Amount
	(In millions)	
Losses before Minority Interest	¥ (14,602)	¥(5,204)
Other Comprehensive Losses:		
Unrealized losses on investment securities	(446)	(269)
Deferred losses on hedging instruments	(36)	(33)
Foreign currency translation adjustments	(5)	2
Equity in other comprehensive income (losses) of affiliates accounted for under the equity method	13	(2)
Total Other Comprehensive Losses	(476)	(303)
Comprehensive Losses	(15,079)	(5,507)
Components of Comprehensive Losses:		
Comprehensive losses attributable to shareholders of the Company	¥(15,078)	¥(5,500)
Comprehensive losses attributable to minority interest	(0)	(6)

(3) Consolidated Statement of Cash Flows

	Six Months Ended September 30,	
	2010	2011
	Amount	Amount
	(In millions)	
Operating Activities:		
Losses before income taxes and minority interest	¥ (14,525)	¥ (5,196)
Depreciation and amortization	10	3
Increase (decrease) in allowance for loan losses	6,860	(916)
Decrease in reserve for losses on excess interest repayments	(1,526)	(334)
(Decrease) increase in reserve for guarantee losses	(669)	119
Decrease in other reserves	(42)	(7)
Interest and dividends received	(159)	(55)
Interest expenses	1,607	1,098
Gains on sales of investment securities	(368)	(2)
Losses on impairment of investment securities	2,110	2,665
Losses on forward contracts	-	1,171
Losses on impairment of real estate for sale	4,053	2
Charge-offs of loans receivable	2,209	1,565
Other	(1,511)	239
Sub-total	(1,951)	354
Proceeds from interest and dividends received	161	56
Interest paid	(1,245)	(646)
Income taxes paid	27	67
Sub-total	(3,008)	(168)
Decrease in loans receivable	4,055	1,713
Increase in real estate for sale	(174)	(18)
Net cash provided by operating activities	872	1,525
Investing Activities:		
Time deposits	(100)	(50)
Proceeds from withdrawal of time deposits	310	100
Purchases of tangible fixed assets	(0)	(25)
Purchases of investment securities	(2,543)	(633)
Proceeds from sales of investment securities	4,231	144
Other	45	160
Net cash provided by (used in) investing activities	1,942	(304)
Financing Activities:		
Proceeds from short-term borrowings	8,330	233
Repayments of short-term borrowings	(12,802)	(540)
Proceeds from long-term borrowings	2,120	-
Repayments of long-term borrowings	(6,664)	(121)
Proceeds from issuance of new shares	3,982	-
Repayments to minority interest	(843)	(498)
Other	1,826	55
Net cash used in financing activities	(4,052)	(872)
Effect of exchange rate changes on cash and cash equivalents	(7)	1
Net (decrease) increase in cash and cash equivalents	(1,244)	348
Cash and cash equivalents at beginning of period	3,935	2,503
Net increase in cash and cash equivalents from newly consolidated subsidiaries	3	-
Cash and cash equivalents at end of period	(Note 1) ¥ 2,694	(Note 1) ¥ 2,852

GOING CONCERN

(April 1, 2011 ~ September 30, 2011)

The Group has continuously recorded significant operating losses, ordinary losses and net losses since the fiscal year ended March 31, 2008. During the previous fiscal year, the Group recorded negative net worth 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 had to negotiate with its lenders at every due date because each extension period of maturity dates as a result of such negotiations was short term.

During the six months ended September 30, 2011, the Group also recorded operating losses of ¥1,083 million, ordinary losses of ¥1,361 million, and net losses of ¥5,197 million. As a result, the Group recorded ¥19,009 million of negative net worth as of September 30, 2011.

Also, the Company sent a written notification to IBJ regarding a set-off of mutual debts between the Company and IBJ in the corresponding amount, and subsequently received a written notification from IBJ regarding an objection to a part of the set-off and a claim for an acceleration of due dates for the repayments. Then the borrowings from IBJ, including obligations under security buy-back agreements which were transferred on October 26, 2011, were transferred to Resolution and Collection Corporation (“RCC”). The Group’s interest-bearing debt including these borrowings as of September 30, 2011 was ¥32,351 million, of which the Group defaulted on ¥23,340 million because of overdue. With regard to the remaining interest-bearing debt, ¥8,901 million is due for repayment within one year. The Group is currently negotiating with its lenders including RCC on issues such as amendments to terms and conditions of the contracts in order to resolve this situation. However, the Group’s cash position could be adversely affected depending on the negotiations with these lenders.

These conditions have continuously raised substantial doubt concerning the Group’s ability to continue as a going concern since the previous fiscal year. In order to resolve this situation, the Group is going to implement the following measures:

1. Negotiation with lenders

The Company will continue to negotiate with RCC aiming at agreement on amendments to terms and conditions of the contracts. In addition, the Company will request other lenders, including SMEG, for amendments to terms and conditions, and others.

2. Strengthening of collection of loans receivable

During the previous fiscal year, the Company discontinued the moneylending business, and engaged in loan operation only for termination of the existing loan contracts as a deemed moneylender. The Company will focus managerial resources such as human resources on credit management operations in order to maximize collection of loans receivable.

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. 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 losses on excess interest repayments and loan losses-related expenses on loans receivable is highly dependent on external factors with uncertainties, and because the Company needs to continue negotiations with lenders including RCC aiming at settlement of repayments of interest-bearing debt.

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

CHANGES IN SCOPE OF CONSOLIDATION OR APPLICATION OF THE EQUITY METHOD

Not applicable

CHANGES IN ACCOUNTING POLICIES

Not applicable

PARTICULAR ACCOUNTING TREATMENTS FOR THE PREPARATION OF QUARTERLY FINANCIAL STATEMENTS

Not applicable

ADDITIONAL INFORMATION

(April 1, 2011 ~ September 30, 2011)

(Adoption of Accounting Standard for Accounting Changes and Error Corrections)

The Group adopted ASBJ Statement No. 24 “Accounting Standard for Accounting Changes and Error Corrections” and ASBJ Guidance No. 24 “Guidance on Accounting Standard for Accounting Changes and Error Corrections,” both of which were issued on December 4, 2009, for accounting changes and past error corrections on or after April 1, 2011.

(Adoption of Consolidated Tax Return System)

Beginning from the three months ended June 30, 2011, the Group adopted the consolidated tax return system.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Balance Sheets

Note 1. Commitments and contingencies are as follows:

(March 31, 2011)

	March 31, 2011
	(In millions)
Guarantees for receivables in the credit guarantee business	¥5,262
Guarantees for receivables held by COS	328
Guarantees for borrowings of Nissin Servicer Co., Ltd.	6,583

Note: "Guarantees for receivable held by COS" presented above includes guarantees for loans receivable which were transferred from COS to a third party.

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 estimated amount of such losses as of March 31, 2011 was included in "Reserve for losses on excess interest repayments."

(September 30, 2011)

	September 30, 2011
	(In millions)
Guarantees for receivables in the credit guarantee business	¥548

The Company sent a written notification to Incubator Bank of Japan, Limited ("IBJ") regarding termination of the guarantee contract as of May 25, 2011 (the balance of guarantee obligations is ¥4,423 million). However, the Company is currently negotiating with IBJ on the overall debts, and may be subsequently required to perform the guarantee obligations.

	September 30, 2011
	(In millions)
Guarantees for borrowings of Nissin Servicer Co., Ltd.	¥6,331

In addition to the above, the Company sent a written notification to COS as of April 28, 2011 regarding discharge of guarantees for borrowings of customers to whom COS lent money (the balance of guarantee obligations is ¥45 million) and indemnifications for losses that COS incurs due to claims for excess interest repayments raised by customers to whom COS lent money. However, the Company is currently negotiating with COS, and may be subsequently required to perform the guarantee obligations and indemnify COS against losses due to claims for excess interest repayments.

Note 2. As required by the Non-bank Bond Issuing Law, bankrupt and delinquent loans receivable as of March 31, 2011 and September 30, 2011 are classified as follows:

	March 31, 2011	September 30, 2011
	(In millions)	
Bankrupt loans receivable	¥ 4,342	¥ 4,380
Delinquent loans receivable	32,460	31,133
Delinquent loans receivable (three months or more)	-	-
Restructured loans receivable	6,052	4,466
Total	¥42,856	¥39,980

Notes: 1. "Bankrupt loans receivable," for which unreceived interest is not accrued, are loans delinquent for a considerable period of time and for which the principal or interest on such loans is unlikely to be recovered due to the occurrence of events defined in the Japanese Corporation Tax Law (Government Ordinance No. 97, 1965), Regulation 96-1(3), *i* through *ho* and Regulation 96-1(4).

2. "Delinquent loans receivable" are loans receivable for which unreceived interest is not accrued due to customers' delinquency, excluding loans receivable mentioned in "Bankrupt loans receivable" and "Restructured loans receivable."

3. "Delinquent loans receivable (three months or more)" are loans receivable for which the payments of principal and interest have been delayed for three months or more, excluding loans receivable mentioned in "Bankrupt loans receivable" and "Delinquent loans receivable."

4. "Restructured loans receivable" are loans receivable for which the Group reached agreement with the debtors on favorable treatment for the debtors such as reduction and exemption of interest, grace of principal and interest payments, relinquishment of loans receivable, among others, in order to reorganize the borrowers and support their financial conditions, excluding loans receivable mentioned in "Bankrupt loans receivable," "Delinquent loans receivable" and "Delinquent loans receivable (three months or more)."

Consolidated Statements of Operations

Note 1. Significant components of "Selling, General and Administrative Expenses" for the six months ended September 30, 2010 and 2011 are as follows:

	Six Months Ended September 30,		
	2010	2011	
	(In millions)		
Selling, General and Administrative Expenses:		Selling, General and Administrative Expenses:	
Provision for loan losses	¥939	Provision for loan losses	¥354
Depreciation and amortization	10	Provision for guarantee losses	188
Salaries for employees	329	Depreciation and amortization	3
Taxes and duties	176	Salaries for employees	313
Lease and rental expenses	105	Taxes and duties	167
Commission fees	571	Lease and rental expenses	60
		Commission fees	438

Consolidated Statement of Cash Flows

Note 1. Cash and cash equivalents as of September 30, 2010 and 2011 are reconciled to the accounts reported in the quarterly consolidated balance sheets as follows:

	September 30,	
	2010	2011
	(In millions)	
Cash and deposits	¥2,794	¥2,902
Time deposits with maturities of over three months	(100)	(50)
Cash and cash equivalents	¥2,694	¥2,852

Shareholders' Equity

(April 1, 2010 ~ September 30, 2010)

1. Dividends paid during the six months ended September 30, 2010

Not applicable

2. Dividends to be paid after September 30, 2010

Not applicable

3. Significant changes in shareholders' equity

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

(April 1, 2011 ~ September 30, 2011)

1. Dividends paid during the six months ended September 30, 2011

Not applicable

2. Dividends to be paid after September 30, 2011

Not applicable

Segment Information

(April 1, 2010 ~ September 30, 2010)

Information regarding operating revenues and income/losses by reporting segment is as follows:

	Six Months Ended September 30, 2010							Amount on the Quarterly 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	¥ 1,282	¥1,384	¥ 387	¥3,055	¥195	¥3,250	¥ -	¥3,250
Operating revenues from inter-segment sales or transfers	367	-	16	384	0	385	(385)	-
Total operating revenues	1,650	1,384	404	3,439	195	3,635	(385)	3,250
Segment (losses) income	¥(1,161)	¥ 66	¥(4,114)	¥(5,209)	¥(11)	¥(5,220)	¥(283)	¥(5,504)

Notes: 1. "Other" is comprised of business segments which are not included in the reporting segments, such as temporary staffing business and other businesses.

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

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

(April 1, 2011 ~ September 30, 2011)

Information regarding operating revenues and income/losses by reporting segment is as follows:

	Six Months Ended September 30, 2011							Amount on the Quarterly 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	¥ 960	¥1,169	¥427	¥2,557	¥ 0	¥2,557	¥ -	¥2,557
Operating revenues from inter-segment sales or transfers	1	36	-	38	0	38	(38)	-
Total operating revenues	961	1,206	427	2,595	0	2,595	(38)	2,557
Segment (losses) income	¥(1,115)	¥(181)	¥ 24	¥(1,272)	¥(2)	¥(1,274)	¥191	¥(1,083)

Notes: 1. "Other" is comprised of business segments which are not included in the reporting segments, such as other businesses.

2. Adjustment of segment (losses) income of ¥191 million includes elimination of inter-segment transactions.

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

Financial Instruments

(March 31, 2011)

	March 31, 2011		
	Carrying Value	Fair Value	Difference
		(In millions)	
Investment securities			
Other securities	¥1,072	¥1,072	-

Notes: 1. The methodologies and assumptions used to estimate fair value of investment securities:

The fair value of marketable securities approximates quoted market prices.

2. The fair value for the following financial instruments could not be determined:

	March 31, 2011	
	Carrying Value	
	(In millions)	
Non-listed equity securities		¥3,511
Investment in investment funds		426
Other		0
Total		¥3,937

The financial instruments stated above are not included in the "Investment securities" since fair value could not be determined as they have no quoted market prices.

(September 30, 2011)

Investment securities are an important factor in the Group's business operations, and there were significant changes compared with the end of the previous fiscal year.

	September 30, 2011		
	Carrying Value	Fair Value	Difference
		(In millions)	
Investment securities			
Other securities	¥572	¥572	-

Notes: 1. The methodologies and assumptions used to estimate fair value of investment securities:

The fair value of marketable securities approximates quoted market prices.

2. The fair value for the following financial instruments could not be determined:

	September 30, 2011	
	Carrying Value	
	(In millions)	
Non-listed equity securities		¥ 825
Investment in investment funds		1,028
Other		0
Total		¥1,853

The financial instruments stated above are not included in the "Investment securities" since fair value could not be determined as they have no quoted market prices.

Investment Securities

(March 31, 2011)

Other securities:

	March 31, 2011		
	Cost	Carrying Value (In millions)	Difference
Equity securities	¥4,489	¥4,583	¥94
Investment in investment funds	509	426	(82)
Others	0	0	-
Total	¥4,998	¥5,010	¥11

Note: Impairment losses of ¥2,486 million were recognized for securities during the year ended March 31, 2011.

For marketable securities, impairment losses were recognized if the fair market value declined more than 50% below the acquisition cost. In addition, if the value declined between 30% and 50% below the acquisition cost, impairment losses were recognized for certain securities which were expected to be non-recoverable taking into consideration the average fair value of the instrument in the past one year. For non-marketable securities, if the net assets per share declined more than 50% below the acquisition cost per share, impairment losses were recognized after a test for recoverability was conducted based on the Group's internal valuation guidelines.

(September 30, 2011)

Other securities are an important factor in the Group's business operations, and there were significant changes compared with the end of the previous fiscal year.

	September 30, 2011		
	Cost	Carrying Value (In millions)	Difference
Equity securities	¥1,671	¥1,397	¥(274)
Investment in investment funds	1,019	1,028	9
Others	0	0	-
Total	¥2,691	¥2,426	¥(264)

Note: Impairment losses of ¥2,665 million were recognized for other securities during the six months ended September 30, 2011.

For marketable securities, impairment losses were recognized if the fair market value declined more than 50% below the acquisition cost. In addition, if the value declined between 30% and 50% below the acquisition cost, impairment losses were recognized for certain securities which were expected to be non-recoverable taking into consideration the average fair value of the instrument in the past one year. For non-marketable securities, if the net assets per share declined more than 50% below the acquisition cost per share, impairment losses were recognized after a test for recoverability was conducted based on the Group's internal valuation guidelines.

Per Share Data

Amounts of net losses per share and the basis for the calculation are as follows:

	Six Months Ended September 30,	
	2010	2011
	(In yen, except number of shares)	
Consolidated:		
Net losses per share:	¥ 47.59	¥10.94
The basis for the calculation:		
Net losses on the quarterly consolidated statement of operations	¥14,602	¥5,197
Amounts not attributable to common shareholders	-	-
Net losses attributable to common stock	14,602	5,197
Weighted-average number of outstanding shares (thousand shares)	306,830	474,898

Note: Diluted net income per share is not presented because of net losses per share.

Significant Subsequent Events

None

2. OTHER

None

SECOND SECTION: GUARANTOR COMPANY OF THE COMPANY

None

Independent Auditors' Quarterly Review Report

November 9, 2011

Board of Directors of
NIS GROUP CO., LTD.

Sanyu & Co.

Representative Partner, Engagement Partner: Tomohiro Kotoh
Engagement Partner: Hiroshi Saitoh

Pursuant to Article 193-2-1 of "Financial Instruments and Exchange Law," we have reviewed the quarterly consolidated balance sheet of NIS GROUP CO., LTD. and its consolidated subsidiaries included in "FINANCIAL STATEMENTS" as of September 30, 2011, and the related quarterly consolidated statements of operations, comprehensive income and cash flows, and the notes to the quarterly consolidated financial statements for the three months and six months period then ended.

Management Responsibility for the Quarterly Consolidated Financial Statements

The management is responsible for preparation and fair presentation of these quarterly consolidated financial statements in accordance with the accounting principles for quarterly consolidated financial statements generally accepted in Japan. These include designing and operating internal controls that the management determines necessary to enable the preparation and fair presentation of the quarterly consolidated financial statements that are free from material misstatement due to fraud or errors.

Independent Auditors' Responsibility

Our responsibility is to express a conclusion independently on these quarterly consolidated statements based on our review. We conducted our review in accordance with the review standards for quarterly financial statements generally accepted in Japan.

A review of quarterly consolidated financial statements consists of making inquiries, primarily of management and persons responsible for financial and accounting matters, and applying analytical and other quarterly review procedures. A review is substantially less in scope of than an audit conducted in accordance with auditing standards generally accepted in Japan.

We believe that we have obtained evidence that provides a basis for our conclusion.

Independent Auditors' Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying quarterly consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of NIS GROUP CO., LTD. and its consolidated subsidiaries as of September 30, 2011, the consolidated results of their operations and their cash flows for the six months then ended in accordance with the accounting principles for quarterly consolidated financial statements generally accepted in Japan.

Emphasis of Matter

As discussed in "GOING CONCERN," NIS GROUP CO., LTD. (the "Company") and its consolidated subsidiaries (collectively, the "Group") had continuously recorded significant operating losses, ordinary losses and net losses since the fiscal year ended March 31, 2008. During the six months ended September 30, 2011, the Group recorded significant net losses, and continuously recorded negative net worth. In addition, the Company is currently negotiating with its lenders including Resolution and Collection Corporation on issues such as amendments to terms and conditions of contracts. However, the Group's cash position could be adversely affected depending on the negotiation with these lenders. These conditions raise substantial doubt concerning the Group's ability to continue as a going concern, and an uncertainty exists regarding the ability of the Group to continue as a going concern as of the date of the report. Management's plans in response to these conditions and the reasons for an uncertainty are described in the corresponding section. The quarterly consolidated financial statements have been prepared assuming the Group will continue as a going concern and do not include any adjustments that might result from the outcome of this uncertainty.

These matters do not affect our conclusion.

Conflict of Interests

Our firm and engagement partners have no interest in NIS GROUP CO., LTD. and its consolidated subsidiaries, which should be disclosed in compliance with the Certified Public Accountants Law.

Notes: 1. The above are the electronic copies of the items on the original Report of Independent Certified Public Accountants. Such original is kept by the Company.

2. XBRL data themselves are not included in the scope of the quarterly consolidated financial statements.

The above represents a translation, for convenience only, of the original report issued in the Japanese language.

Certification of Quarterly Financial Report

Document for filing:	Certification of Quarterly Financial Report
Pursuant to:	Japanese Financial Instruments and Exchange Law, Regulation 24-4-8-1
Administrative division for filing:	Director of Kanto Local Finance Bureau
Filing date:	November 11, 2011
Company name:	NIS GROUP CO., LTD.
Representative:	Joji Harakawa President and Representative Director of the Board
Chief Financial Officer:	Not Applicable
Location of Matsuyama Head Office:	7-6, Chifune-machi 5-chome, Matsuyama City, Ehime (The address above is the registered head office; the actual principal executive office is the Tokyo Head Office stated below)
Locations where the filing is available to the public:	Tokyo Head Office, NIS Group Co., Ltd. (1-7-12, Toranomonn, Mnato-ku, Tokyo) Tokyo Stock Exchange, Inc. (2-1, Nihonbashi Kabuto-cho, Chuo-ku, Tokyo)

Certification of Quarterly Financial Report

1. FAIRNESS OF THE INFORMATION CONTAINED IN THE ANNUAL FINANCIAL REPORT

Joji Harakawa, President and Representative Director of the Board, hereby certifies that the contents of the Quarterly Financial Report for the three months ended September 30, 2011 fairly present the information therein in conformity with the regulations of the Japanese Financial Instruments and Exchange Law.

2. SPECIAL NOTES

None