

December 1, 2011

To whom it may concern

Notice Regarding Occurrence of Provision for Loan Losses

NIS Group Co., Ltd., (the "Company") hereby announces that the Company will record provision for losses on its loan to SL Co., Ltd. (an equity-method affiliate, formerly named NIS Lease Co., Ltd.) as a result of the resolution on a corporate divestiture through an incorporation-type company split followed by liquidation approved at the SL extraordinary meeting of shareholders held on November 30, 2011 as described below.

1. Reason for the corporate divestiture

The Company established SL in November 2003 as a wholly-owned subsidiary engaging in the leasing and subleasing businesses. In January 2009, SL became an affiliate accounted for under the equity method (currently, 15.2% ownership ratio) due to sales of a part of the Company's shares in SL.

SL then participated in the Incubator Network for SMEs and expanded its operations. However, its financial condition was adversely affected by the failure of Incubator Bank of Japan, Limited in September 2010 which was the major lender.

In these circumstances, SL decided to proceed with a business rehabilitation plan by utilizing an incorporation-and-spin-off-type company split with a company newly incorporated as a surviving company, in order to turn around its business under the new sponsorship.

After the corporate divestiture, SL is planning to file a petition for special liquidation with the consent of creditors including the Company.

2. Overview of SL

- (1) Company name: SL Co., Ltd.
- (2) Location: 4-2-11 Kudan-minami, Chiyoda-ku, Tokyo
- (3) Date of establishment: November 10, 2003
- (4) Description of business: Leasing and subleasing businesses
- (5) Capital amount: JPY 300 million

3. Future projection

The balance of the Company's loan to SL is JPY 1,204 million of which JPY 266 million will be repaid in the special liquidation proceedings. With respect to JPY 937 million of this loan after these repayments, however, the Company expects to record provision for loan losses in the entire amount for the three months ended December 31, 2011.

Special Note Regarding Forward-Looking Statements

These materials contain forward-looking statements about our industry, our business, our plans and objectives, our financial position and our results of operations that are based on our current expectations, assumptions, estimates and projections. These forward-looking statements are subject to various risks and uncertainties. These statements discuss future expectations, identify strategies, discuss market trends, contain projections of results of operations or of financial position, or state other forward-looking information. 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, estimates or other information expressed in or underlying these forward-looking statements will turn out to be correct. Important risks and factors that could cause our actual results to differ materially from these forward-looking statements include without limitation the following: weak domestic economic conditions; misconduct by an employee or director, or negative publicity for our industry or the Group; regulations concerning the loan business; regulations concerning the overseas trading business; regulations concerning the investment banking; other related regulations; funding and market interest rates; claims for excess interest repayments; outsourcing of operations; investment banking businesses; condition and liquidity in stock markets; economic trends and liquidity in real estate markets; transfer of receivables; capital and business alliance; ability to continue to be listed on the Tokyo Stock Exchange; and transfer of the Group's borrowings by its lender.