

(TRANSLATION)



February 12, 2009

Condensed Statements of Financial Results for the Nine Months Ended December 31, 2008

Company Name:	NIS GROUP CO., LTD. (URL: http://www.nisgroup.jp/)
Stock Exchange Listings:	Tokyo Stock Exchange, First Section (Code: 8571)
Representative:	Masayuki Yasuoka Chairman, Representative Director of the Board
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Scheduled Filing Date of Quarterly Financial Report ("Shihanki-Houkokusho"):	February 13, 2009
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, 2008

(1) Consolidated Operating Results

	Nine Months Ended December 31,			
	2008		2007	
	Amount	Percentage	Amount	Percentage
	(In millions except percentages)			
Operating revenues	¥26,116	-%	¥ 68,863	15.2%
Operating losses	27,788	-	2,284	-
Ordinary losses	27,534	-	3,642	-
Net losses	45,195	-	22,363	-

	Nine Months Ended December 31,	
	2008	2007
	(In yen)	
Net losses per share:		
Basic	¥188.62	¥158.59
Diluted	-	-

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

(2) Consolidated Financial Position

	December 31, 2008	March 31, 2008
	(In millions except percentages and per share data)	
Total assets	¥119,937	¥272,983
Net assets	12,348	58,763
Net worth ratio (%)	9.1%	20.1%
Net assets per share (in yen)	45.45	228.89

Note: Net worth was ¥10,891 million as of December 31, 2008 and ¥54,847 million as of March 31, 2008.

2. Dividends

	Year Ended March 31, 2008	Year Ending March 31, 2009
	(In yen)	
Dividend per share:		
First quarter-end	¥ -	¥ -
Second quarter-end	0.00	0.00
Third quarter-end	-	-
Year-end	0.00	- (forecast)
Full-year	¥0.00	¥ - (forecast)

Notes: 1. No adjustment has been made to dividend forecasts for the fiscal year ending March 31, 2009.

2. Forecasts of dividend per share for the year ending March 31, 2009 have not yet been determined.

3. Consolidated Financial Forecasts for the Fiscal Year Ending March 31, 2009

Note: No adjustment has been made to the financial forecasts for the fiscal year ending March 31, 2009.

Because the Group has been implementing its rehabilitation plan including reorganization of the Group's business structure, stabilization of the Group's capital base and establishment of a lean organizational structure in order to address doubts relating to the Group's ability to continue as a going concern, the financial forecasts for the fiscal year ending March 31, 2009 may fluctuate in line with the progress of the plan. The Group will announce forecasts as soon as they are estimated.

4. Other

- (1) Changes in Significant Subsidiaries during the Nine Months Ended December 31, 2008 (changes in the scope of consolidation of specified subsidiaries): Yes

Included in the scope of consolidation: 2 companies (Company name: Japan Incubation Fund and Japan Incubation Fund IV)
 Excluded from the scope of consolidation: 1 company (Company name: Japan Incubation Fund IV)

Note: See "QUALITATIVE INFORMATION AND FINANCIAL STATEMENTS - 4. Other" on page 7.

- (2) Adoption of Simplified Accounting Treatments or Particular Accounting Treatments for the Preparation of Quarterly Financial Statements : None

- (3) 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"):

- 1) Changes in accordance with the amendment of accounting standards: Yes
 2) Other changes: Yes

Note: See "QUALITATIVE INFORMATION AND FINANCIAL STATEMENTS - 4. Other" on page 7.

- (4) Number of Issued Shares of Common Stock

	December 31, 2008	March 31, 2008
		(Shares)
Number of issued shares	245,894,350	245,894,350
Of which treasury stock	6,284,207	6,276,613
	Nine Months Ended December 31,	
	2008	2007
		(Shares)
Weighted-average number of outstanding shares	239,613,217	141,014,682

Note: On February 20, 2008, NIS Group Co., Ltd. issued 100,000,000 new shares of common stock to investment vehicles managed by TPG through a third-party allotment.

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

1. 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 AND FINANCIAL STATEMENTS - 3. Qualitative Information on Consolidated Financial Forecasts for the Fiscal Year Ending March 31, 2009” on page 6.
2. Accounting Standards Board Statement (“ASB Statement”) No. 12 “Accounting Standards for Quarterly Financial Statements” and Accounting Standards Board Guidance (“ASB Guidance”) No. 14 “Implementation Guidance for Accounting Standards for Quarterly Financial Statements” issued by the Accounting Standards Board of Japan (the “ASBJ”) were adopted beginning from the year ending March 31, 2009. In addition, the preparation of the quarterly consolidated financial statements conforms to the Regulations concerning Terminology, Format and Preparation Method of Quarterly Consolidated Financial Statements (the “QCFS Regulations”).

QUALITATIVE INFORMATION AND FINANCIAL STATEMENTS

1. Qualitative Information on Consolidated Financial Results

For the nine months ended December 31, 2008, business confidence in the Japanese economy has fallen into a steep recession due to a decline in corporate profits and deterioration of the financing environment in the midst of a prolonged period of global financial and capital markets turmoil and a credit crunch. Under these circumstances, the liquidity of real estate in Japan has remained stagnant.

In order to address doubts relating to the Group's ability to continue as a going concern, NIS Group Co., Ltd., (the "Company") and its consolidated subsidiaries (collectively, the "Group") further implemented a management reform program which has been underway since the previous fiscal year, and prepared and implemented its rehabilitation plan including reorganization of the Group's business structure, stabilization of the Group's capital base and establishment of a lean organizational structure, to achieve a turnaround of its business structure.

With regard to the financial results for the nine months ended December 31, 2008, total operating revenues were ¥26,116 million, a decrease of ¥42,746 million, or 62.1%, compared with the corresponding period of the previous fiscal year. This is mainly attributable to a decrease in the amount of loans originated and the balance of loans receivable, reflecting constraints on the origination of new loans due to the deterioration of the financing environment and a delay in sales of real estate due to the deterioration of liquidity in the Japanese real estate markets.

Operating income decreased by ¥25,503 million, compared with the corresponding period of the previous fiscal year, to ¥27,788 million in operating losses. This is mainly attributable to aggregate impairment losses of ¥12,199 million in real estate for sale in the servicing business and real estate under construction for sale in the real estate business, and additional allowance for loan losses of real estate-backed loans receivable of ¥7,472 million, reflecting significant deterioration in the real estate markets in Japan. Consequently, ordinary income decreased by ¥23,892 million, compared with the corresponding period of the previous fiscal year, to ¥27,534 million in ordinary losses.

Net income for the nine months ended December 31, 2008 decreased by ¥22,831 million, compared with the corresponding period of the previous fiscal year, to ¥45,195 million in net losses. This is mainly attributable to losses of ¥8,809 million on exercise of convertible preferred interest by TPG, losses on cancellation of derivative transactions of ¥2,372 million due to the cancellation of currency swap contracts on U.S. Dollar-denominated Unsecured Straight Bonds, losses on impairment of investment securities of ¥2,235 million reflecting a decline in the market price of securities held, and losses on impairment of investment in affiliated companies of ¥1,428 million reflecting the commencement of civil rehabilitation proceedings by Araigumi Co., Ltd., a former affiliate accounted for under the equity method, incurred as special losses, in addition to the reversal of all the deferred tax assets of consolidated subsidiaries, partially offset by compensation income of ¥2,387 million, incurred as special gains, due to the cancellation of the strategic investment and business alliance with TPG.

Operating results by business segment are described below:

(1) Integrated Financial Services

In integrated financial services, the Company mainly engages in secured and unsecured lending, as well as leasing and installment sales to small and medium-sized enterprises ("SMEs") in Japan. With respect to existing loan assets, the Company is undertaking integration and improvement of efficiency in its operations, taking into consideration the recent market condition, in order to maximize collection of loans receivable.

In addition, the Group promoted its credit guarantee business and investment banking business in order to improve efficiency in the use of funds.

Operating revenues from integrated financial services for the nine months ended December 31, 2008 were ¥13,462 million, a decrease of ¥16,381 million, or 54.9%, and operating income decreased by ¥4,941 million, or 47.1%, to ¥15,424 million in operating losses, compared with the corresponding period of the previous fiscal year, respectively.

(2) Servicing Business

In the servicing business, the Group followed a cautious investment strategy, pursuing collection activities focusing on compliance, and reinforced real estate-related operations and support for corporate revitalization.

Operating revenues from the servicing business for the nine months ended December 31, 2008 were ¥10,196 million, a decrease of ¥4,938 million, or 32.6%, and operating income decreased by ¥9,794 million to ¥4,066 million in operating losses, compared with the corresponding period of the previous fiscal year, respectively.

In addition, Nissin Servicer Co., Ltd., a consolidated subsidiary listed on the Mothers market of the Tokyo Stock Exchange (Code: 8426) which engages in the servicing business, became an affiliate accounted for under the equity method as of December 31, 2008 as a result of sales of a part of the Company's shares.

(3) Real Estate Business

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

Operating revenues from the real estate business for the nine months ended December 31, 2008 were ¥2,029 million, a decrease of ¥20,685 million, or 91.1%, and operating income decreased by ¥12,151 million to ¥8,021 million in operating losses, compared with the corresponding period of the previous fiscal year, respectively.

(4) Other Businesses

The Group engages in other businesses, including SME support services. Operating revenues from other businesses for the nine months ended December 31, 2008 were ¥428 million, a decrease of ¥741 million, or 63.4%, and operating income decreased by ¥61 million, or 32.1%, to ¥131 million in operating losses, compared with the corresponding period of the previous fiscal year, respectively.

2. Qualitative Information on Consolidated Financial Position

(1) Assets, Liabilities and Net assets

As of December 31, 2008, total assets were ¥119,937 million, a decrease of ¥153,045 million, or 56.1%, compared with the end of the previous fiscal year. This is mainly attributable to a decrease of ¥71,706 million in notes and loans receivable, ¥28,750 million in purchased loans receivable, ¥27,602 million in the total of real estate for sale in the servicing business and real estate for sale and real estate under construction for sale in the real estate business, and ¥20,129 million in investment securities, compared with the end of the previous fiscal year, respectively.

As of December 31, 2008, total liabilities were ¥107,589 million, a decrease of ¥106,630 million, or 49.8%, compared with the end of the previous fiscal year. This is mainly attributable to a decrease of ¥99,695 million in total interest-bearing debt due to a decrease in operating assets, compared with the end of the previous fiscal year.

As of December 31, 2008, net assets were ¥12,348 million, a decrease of ¥46,415 million, or 79.0%, compared with the end of the previous fiscal year. This is attributable to a decrease of ¥45,182 million in retained earnings because of net losses for the nine months ended December 31, 2008.

(2) Cash Flows

As of December 31, 2008, cash and cash equivalents ("Cash") were ¥2,605 million, a decrease of ¥6,947 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 nine months ended December 31, 2008 was ¥62,756 million.

Cash provided during the nine months ended December 31, 2008 mainly comprised ¥17,181 million in impairment losses on securities and real estate, ¥56,197 million provided by net collection of loans receivable, and ¥4,551 million provided by net collection of purchased loans receivable, offset by ¥44,909 million in losses before income taxes and minority interest.

(Cash Flows from Investing Activities)

Net Cash used in investing activities for the nine months ended December 31, 2008 was ¥ 2,936 million.

Cash used during the nine months ended December 31, 2008 mainly comprised ¥2,821 million used in net acquisition and sales of investment securities.

(Cash Flows from Financing Activities)

Net Cash used in financing activities for the nine months ended December 31, 2008 was ¥66,752 million.

Cash used during the nine months ended December 31, 2008 mainly comprised ¥72,399 million used in net repayments of interest-bearing debt.

3. Qualitative Information on Consolidated Financial Forecasts for the Fiscal Year Ending March 31, 2009

Because the Group has been implementing its rehabilitation plan including reorganization of the Group's business structure, stabilization of the Group's capital base and establishment of a lean organizational structure in order to address doubts relating to the Group's ability to continue as a going concern, the financial forecasts for the fiscal year ending March 31, 2009 may fluctuate in line with the progress of the plan. The Group will announce forecasts as soon as they are estimated.

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.

1. 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

2. 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) The Special Measures Law concerning the Claims Servicing Business
- (c) Installment Sales Law
- (d) Financial Instruments and Exchange Law
- (e) Other related regulations

3. Business Risks

- (a) Funding and market interest rates
- (b) Claims for excess interest repayments
- (c) Reliability of our information or technological systems and networks
- (d) Risks in our operating assets portfolio
- (e) Condition and liquidity in stock markets
- (f) Ability to pursue and maintain successful strategic alliances and joint ventures
- (g) Economic trends and liquidity in real estate markets

4. Other

- (1) Changes in Significant Subsidiaries during the Nine Months Ended December 31, 2008 (changes in the scope of the consolidation of specified subsidiaries):

Japan Incubation Fund was newly established and included in the scope of consolidation during the three months ended September 31, 2008.

In addition, Japan Incubation Fund IV was newly established and included in the scope of consolidation during the three months ended December 31, 2008. However, it was excluded from the scope of consolidation due to a decrease in the Company's voting rights as a result of the sales of its shares in Nissin Servicer Co., Ltd.

- (2) Adoption of Simplified Accounting Treatments or Particular Accounting Treatments for the Preparation of Consolidated Financial Statements:

None

- (3) Changes in Accounting Principles and Methods, Presentation and Other Items Relating to the Preparation of Quarterly Consolidated Financial Statements:

- 1) ASB Statement No. 12 "Accounting Standards for Quarterly Statements" and ASB Guidance No. 14 "Implementation Guidance for Accounting Standards for Quarterly Financial Statements" issued by the ASBJ on March 14, 2007, were adopted beginning from the year ending March 31, 2009. In addition, the preparation of the quarterly consolidated financial statements conforms to the QCFS Regulations.
- 2) For the Company and consolidated subsidiaries which operate in integrated financial services, financial costs of borrowings had been previously treated as "Operating Expenses" unless it was obvious that the purpose of borrowings did not correspond to operating transactions. However, beginning from the three months ended June 30, 2008, the Group changed its accounting treatment as follows: total assets are classified as operating assets related to integrated financial services and other assets, and financial costs corresponding to such operating assets are treated as "Operating Expenses" and financial costs corresponding to other assets are treated as "Other Expenses" in proportion to the balance of each such class of assets.

Due to the recent trend of decreasing operating assets in integrated financial services such as loans receivable, the increase in the proportion of funds procured by the Company in respect of integrated financial services and invested indirectly in operating assets in the servicing business and the real estate business through loans to affiliated companies has become prominent. This trend is expected to continue, reflecting the decision of the Company's management to reform and enhance businesses for earning fee income. Therefore this change in accounting treatment was made in order to present a multiple-step statement of income more appropriately matching expenses with related revenues.

As a result of this change, compared with the results under the previous treatment, "Operating Expenses," "Net Operating Expenses," and "Operating Losses" decreased by ¥961 million, while "Other Expenses" increased by the same amount for the nine months ended December 31, 2008. However, there was no effect on "Ordinary Losses" and "Losses before Income Taxes and Minority Interest."

The effect on segment information is described in the corresponding section.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

	December 31, 2008	(Summary) March 31, 2008
	Amount	Amount
(In millions)		
ASSETS:		
Current Assets:		
Cash and deposits	¥ 3,893	¥ 11,652
Notes and loans receivable	52,839	124,545
Receivables from guarantees paid	3,307	2,043
Installment loans receivable	3,508	5,522
Real estate for sale in the real estate business	10,746	15,902
Real estate under construction for sale in the real estate business	6,609	9,910
Short-term loans to affiliated companies	12,490	3,600
Other	4,518	62,149
Allowance for loan losses	(11,227)	(18,901)
Total Current Assets	86,685	216,425
Fixed Assets:		
Tangible fixed assets	3,916	6,466
Intangible fixed assets	550	1,933
Investment and other assets:		
Investment securities	11,228	31,358
Bankrupt and delinquent loans receivable	29,211	16,689
Other	8,692	10,184
Allowance for loan losses	(20,647)	(10,440)
Total investment and other assets	28,484	47,791
Total Fixed Assets	32,951	56,191
Deferred Assets	301	367
Total Assets	¥119,937	¥272,983

	December 31, 2008	(Summary) March 31, 2008
	Amount	Amount
(In millions)		
LIABILITIES:		
Current Liabilities:		
Accounts payable	¥ 9	¥ 284
Short-term borrowings	8,145	24,944
Current portion of long-term borrowings	27,428	63,168
Current portion of bonds	9,950	27,530
Obligation under receivable buy-back agreements	4,817	-
Obligation under security buy-back agreements	4,900	-
Accrued income taxes	1,160	2,529
Reserve for guarantee losses	3,129	801
Other reserves	556	751
Other	3,458	8,202
Total Current Liabilities	63,554	128,213
Long-term Liabilities:		
Bonds	23,206	30,230
Long-term borrowings	2,608	28,426
Obligation under receivable buy-back agreements	3,734	-
Reserve for losses on excess interest repayments	10,180	10,766
Reserve for losses on business of affiliated companies	3,401	5,850
Other reserves	27	324
Other	877	10,340
Total Long-term Liabilities	44,035	85,938
Statutory Reserve:		
Reserve for securities transactions	-	68
Total Statutory Reserve	-	68
Total Liabilities	107,589	214,219
NET ASSETS:		
Shareholders' Equity:		
Common stock	26,289	26,289
Additional paid-in capital	30,180	30,180
(Deficit) retained earnings	(43,101)	2,080
Treasury stock	(3,893)	(3,892)
Total Shareholders' Equity	9,474	54,658
Valuation and Translation Adjustments:		
Unrealized (losses) gains on investment securities	(79)	73
Deferred gains (losses) on hedging instruments	1,496	(0)
Foreign currency translation adjustments	-	116
Total Valuation and Translation Adjustments	1,416	189
Stock Acquisition Rights	-	102
Minority Interest	1,457	3,814
Total Net Assets	12,348	58,763
Total Liabilities and Net Assets	¥119,937	¥272,983

(2) Consolidated Statement of Operations
For the Nine Months Ended December 31, 2008

	Nine Months Ended December 31, 2008
	Amount
	(In millions)
Operating Revenues	¥26,116
Operating Expenses	26,162
Net Operating Expenses	45
Selling, General and Administrative Expenses	27,742
Operating Losses	27,788
Other Income:	
Interest received	99
Dividends received	29
Guarantee fees received	330
Gains on foreign exchange	2,986
Other	116
Total Other Income	3,562
Other Expenses:	
Interest expenses	1,869
Equity in losses of affiliates accounted for under the equity method	1,055
Losses on investment funds	195
Other	188
Total Other Expenses	3,309
Ordinary Losses	27,534
Special Gains:	
Gains on sales of fixed assets	3
Gains on sales of investment securities	143
Compensation income	2,587
Other	28
Total Special Gains	2,762
Special Losses:	
Losses on sales of fixed assets	7
Losses on disposal of fixed assets	17
Losses on impairment	1,872
Losses on impairment of investment securities	3,495
Losses on impairment of investments in affiliated companies	1,485
Losses on cancellation of derivative transactions	2,372
Losses on exercise of convertible preferred interest	8,809
Other	2,076
Total Special Losses	20,137
Losses before Income Taxes and Minority Interest	44,909
Income Taxes:	
Current	49
Deferred	2,334
Total Income Taxes	2,384
Minority Interest in Net Losses of Subsidiaries	2,098
Net Losses	¥45,195

(3) Consolidated Statement of Cash Flows

	Nine Months Ended December 31, 2008
	Amount
	(In millions)
Operating Activities:	
Losses before income taxes and minority interest	¥(44,909)
Depreciation and amortization	1,570
Losses on impairment	1,872
Increase in allowance for loan losses	6,959
Decrease in reserve for losses on excess interest repayments	(586)
Decrease in reserve for losses on business of affiliated companies	(2,448)
Increase in reserve for guarantee losses	2,328
Decrease in other reserves	(419)
Losses on foreign exchange	(2,986)
Interest and dividends received	(257)
Interest expenses	3,640
Equity in losses of affiliates accounted for under the equity method	1,055
Losses on sales and disposal of fixed assets	21
Losses on sales of investment securities	25
Losses on impairment of investment securities	3,495
Losses on impairment of investments in affiliated companies	1,485
Losses on exercise of convertible preferred interest	8,809
Losses on impairment of real estate for sale in the servicing business	3,397
Losses on impairment of real estate for sale and real estate under construction for sale in the real estate business	8,801
Compensation income	(2,587)
Losses on cancellation of derivative transactions	2,372
Charge-offs of loans receivable	8,399
Decrease in interest receivable	289
Increase in advanced interest received	0
Other	(324)
Sub-total	4
Proceeds from interest and dividends received	258
Interest paid	(4,040)
Proceeds from compensation received	2,587
Income taxes paid	(1,101)
Sub-total	(2,290)
Decrease in loans receivable	56,197
Decrease in purchased loans receivable	4,551
Decrease in real estate for sale in the servicing business	2,415
Purchases of assets held for leases	(150)
Decrease in installment loans receivable	1,362
Increase in real estate for sale and real estate under construction for sale in the real estate business	(611)
Decrease in operational investment securities	1,282
Net cash provided by operating activities	62,756

(Continued)

Nine Months Ended December 31, 2008

	Amount
	(In millions)
(Continued)	
Investing Activities:	
Time deposits	(1,351)
Proceeds from withdrawal of time deposits	1,450
Purchases of tangible fixed assets	(37)
Proceeds from sales of tangible fixed assets	30
Purchases of intangible fixed assets	(65)
Purchases of investment securities	(4,761)
Proceeds from sales of investment securities	1,940
Proceeds from sales of other investment in affiliated companies	1,956
Proceeds from redemption of other investment in affiliated companies	1,589
Payments for sales of investment in subsidiaries resulting in change in the scope of consolidation	(1,185)
Payments for loan origination	(6,650)
Proceeds from collections of loans to affiliated companies	3,735
Other	413
Net cash used in investing activities	(2,936)
Financing Activities:	
Deposits of restricted cash in banks	(1,502)
Proceeds from withdrawal of restricted cash in banks	2,130
Proceeds from short-term borrowings	16,750
Repayments of short-term borrowings	(27,652)
Proceeds from long-term borrowings	6,538
Repayments of long-term borrowings	(52,919)
Payments for redemption of bonds	(17,530)
Proceeds from collection of cash collateral on redemption of bonds	1,392
Decrease in asset-backed securities	(10,185)
Increase in obligation under receivable buy-back agreements	8,176
Decrease in obligation under receivable buy-back agreements	(741)
Increase in obligation under security buy-back agreements	5,165
Proceeds from issuance of new shares to minority interest	3,231
Other	394
Net cash used in financing activities	(66,752)
Effect of exchange rate changes on cash and cash equivalents	(14)
Net decrease in cash and cash equivalents	(6,947)
Cash and cash equivalents at beginning of period	9,552
Cash and cash equivalents at end of period	¥ 2,605

ASB Statement No. 12 “Accounting Standard for Quarterly Statements” and ASB Guidance No. 14 “Implementation Guidance for Accounting Standards for Quarterly Financial Statements” issued by the ASBJ were adopted beginning from the year ending March 31, 2009. In addition, the preparation of the quarterly consolidated financial statements conforms to the QCFS Regulations.

(4) Going Concern

(October 1, 2008 ~ December 31, 2008)

For the nine months ended December 31, 2008, the Group recorded operating losses of ¥27,788 million, ordinary losses of ¥27,534 million, and net losses of ¥45,195 million. At the same time, due to the downgrading by a credit rating agency and a decrease in net assets, loan covenants have been breached, and certain outstanding borrowings may be immediately due and payable upon request by such financial institutions, because of acceleration clauses. These conditions raise substantial doubt concerning the Group’s ability to continue as a going concern.

The Group has been developing a rehabilitation plan for reorganization of the Group’s business structure, stabilization of the Group’s capital base and establishment of a lean organizational structure in order to resolve this situation and is striving to effectively implement such plan.

1. Reorganization of the Group’s business structure

The Group will work to expand fee income through a shift to businesses generating fee income focusing on the advisory business on mergers and acquisitions (M&A), arrangement of investment and financing projects, and operating investment funds by utilizing its expertise in investment in and M&A of unlisted companies, as well as in credit management and loan servicing business that the Group has cultivated thus far.

2. Stabilization of the Group’s capital base

The Company had been seeking a new sponsor in order to resolve financing difficulties stemming from the recent financial crisis, etc. and to establish a sustainable and stable capital base. Recently, the Company entered into an agreement with Chusho-Kigyō Hosho Kiko Co., Ltd., a company providing management, capital and business support to SMEs, with regard to a strategic capital and business alliance. The strategic capital and business alliance includes the following:

- i) Support for the Company’s funds procurement by Chusho-Kigyō Hosho Kiko, etc.
- ii) Acquisition of the Company’s shares of common stock by Chusho-Kigyō Hosho Kiko, etc.
- iii) Provision of capital to Incubator Bank of Japan by the Company
- iv) Appointment of directors to the Company’s board by Chusho-Kigyō Hosho Kiko

Chusho-Kigyō Hosho Kiko also expressed its support for the Company with respect to management, finance and business. Thus, the Company will reinforce relationships with Chusho-Kigyō Hosho Kiko, etc. and further implement management rehabilitation.

On the other hand, in line with the strategic capital and business alliance, the Company terminated the strategic investment and business alliance with TPG announced on December 10, 2007. However, TPG will continue to dispatch one director of the board and provide support to resolve the Company’s cash flow issues as long as investment vehicles managed by TPG hold the Company’s common stock.

In addition, Incubator Bank of Japan, Limited and Chusho-Kigyō Hosho Kiko have shown willingness to provide necessary financial support, and the Company is able to obtain financial support from certain other lenders conditioned on this willingness of Incubator Bank of Japan and Chusho-Kigyō Hosho Kiko. The Group will aim to stabilize its funds procurement by realizing such support.

3. Establishment of a lean organizational structure

In order to improve management efficiency through concentration in areas of core competence, the Group has implemented restructuring, including sales of a part of its shares in Nissin Servicer Co., Ltd., a former consolidated subsidiary, resulting in its becoming an affiliate accounted for under the equity method, as well as sales of other operating assets and integration of sales offices to enhance its credit management system. The Group, hereafter, will develop other various measures to further cut cost, such as fixed cost reduction by outsourcing a part of its operations.

Through steady implementation of the above rehabilitation plan, the Company believes that it can effectively address the doubts relating to the Group’s ability to continue as a going concern.

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

(5) Segment Information

1) Business Segment Information

Business segment information for the nine months ended December 31, 2008 is as follows:

	Nine Months Ended December 31, 2008						
	Integrated Financial Services	Servicing Business	Real Estate Business	Other Businesses	Total	Eliminations	Consolidated
	(In millions)						
Operating revenues:							
(1) Operating revenues from third parties	¥13,462	¥10,196	¥2,029	¥428	¥26,116	¥ -	¥26,116
(2) Operating revenues from inter-segment sales or transfers	590	-	175	1	766	(766)	-
Total operating revenues	14,053	10,196	2,204	429	26,883	(766)	26,116
Operating losses	¥15,424	¥ 4,066	¥8,021	¥131	¥27,643	¥ 144	¥27,788

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 leases, etc.
Provider of guarantee services
Securities business
- (2) Servicing Business: Management, collection, acquisition, and investment in specific money claims
- (3) Real Estate Business: Real estate transactions
Real estate development
Asset management
- (4) Other Businesses: SME support services
Agent for life or non-life insurance companies, etc.

3. As discussed in "QUALITATIVE INFORMATION AND FINANCIAL STATEMENTS - 4. Other," for the Company and consolidated subsidiaries which operate integrated financial services, financial costs on borrowings had been previously treated as "Operating Expenses" unless it was obvious that the purpose of borrowings did not correspond to operating transactions. However, beginning from the three months ended June 30, 2008, the Group changed its accounting treatment as follows: total assets are classified as operating assets related to integrated financial services and other assets, and financial costs corresponding to such operating assets are treated as "Operating Expenses" and financial costs corresponding to other assets are treated as "Other Expenses," in proportion to the balance of each such class of assets.

As a result of this change, compared with the results under the previous treatment, "Operating losses" decreased by ¥828 million in "Integrated Financial Services" for the nine months ended December 31, 2008.

4. Significant change in assets by business segment

Nissin Servicer Co., Ltd., a consolidated subsidiary engaging in the servicing business, became an affiliate accounted for under the equity method as of December 31, 2008, due to a decrease in the Company's voting rights as a result of the sales of its shares.

As a result, assets in "Servicing Business" decreased by ¥55,917 million compared with the end of the previous fiscal year.

2) Geographical Segment Information

Geographical segment information is omitted for the nine months ended December 31, 2008 as domestic operating revenues accounted for more than 90% of total operating revenues for all segments during the period.

3) Overseas Operating Revenues

Information on overseas operating revenues is omitted for the nine months ended December 31, 2008 as overseas operating revenues accounted for less than 10% of total operating revenues during the period.

(6) Note to Significant Changes in Shareholders' Equity

Not Applicable

(7) Significant Subsequent Event

(April 1, 2008 ~ December 31, 2008)

On January 28, 2009, the Company sold a part of its shares in NIS Lease Co., Ltd., a consolidated subsidiary, following approval at the Board of Directors meeting held on January 27, 2009.

- | | | |
|----|--|--|
| 1) | Reason for transfer | The Company is in the process of establishing a lean organizational structure as part of its rehabilitation plan.
As a part of such rehabilitation plan, the Company sold a part of its shares in a subsidiary. |
| 2) | Outline of the subsidiary | |
| | Company name | NIS Lease Co., Ltd. |
| | Main business | Integrated leasing business, etc. |
| 3) | Transferees, the number of shares transferred, transfer price, gains/losses on transfer and ownership ratio after transfer | |
| | Number of shares transferred | 49,410 shares (61.0% of the total number of outstanding shares) |
| | Transferees | Chusho-Kigyo Shinpan Kiko Co., Ltd. 25,110 shares
(31.0% of the total number of outstanding shares) |
| | | Chusho-Kigyo Inshoku Kiko Co., Ltd. 24,300 shares
(30.0% of the total number of outstanding shares) |
| | Transfer price | ¥113 million (¥2,303 per share) |
| | Gains/Losses on transfer | The effect on the financial results is insignificant. |
| | Ownership ratio after transfer | 39.0% |

As a result, NIS Lease Co., Ltd. becomes an affiliate accounted for under the equity method.

(Reference)

(1) Summary of Consolidated Statement of Operations for the Nine Months Ended December 31, 2007

	Nine Months Ended December 31, 2007
	Amount
	(In millions)
Operating Revenues	¥ 68,863
Operating Expenses	33,692
Net Operating Revenues	35,171
Selling, General and Administrative Expenses	37,455
Operating Losses	2,284
Other Income	255
Other Expenses	1,613
Ordinary Losses	3,642
Special Gains	286
Special Losses	10,436
Losses Before Income Taxes and Minority Interest	13,792
Income Taxes:	
Current	3,873
Deferred	4,243
Minority Interest	453
Net Losses	¥22,363

(2) Summary of Consolidated Statement of Cash Flows for the Nine Months Ended December 31, 2007

	Nine Months Ended December 31, 2007
	Amount
	(In millions)
Operating Activities:	
Losses before income taxes and minority interest	¥ (13,792)
Depreciation and amortization	1,685
Losses on impairment	45
Increase in allowance for loan losses	1,054
Increase in reserve for losses on excess interest repayments	7,100
Decrease in accrued bonuses for employees	(249)
Decrease in accrued bonuses for directors	(67)
Interest and dividends received	(2,211)
Interest expenses	4,668
Losses on sales of fixed assets	4
Losses on disposal of fixed assets	32
Gains on sales of investment securities	(200)
Losses on sales of investment securities	2,107
Impairment of investment securities	5,600
Impairment of investments in affiliated companies	638
Charge-offs of loans receivable	10,327
Losses on change in equity interest	12
Decrease in interest receivable	154
Decrease in advanced interest received	(59)
Other	727
Sub-total	17,578
Proceeds from interest and dividends received	2,214
Interest paid	(4,500)
Income taxes paid	(6,641)
Sub-total	8,650
Loan originations	(136,676)
Proceeds from collections of loans receivable	189,506
Loans purchased	(12,047)
Proceeds from collections of purchased loans	10,830
Decrease in real estate for sale in the servicing business	199
Purchases of assets held for leases	(1,355)
Increase in installment loans receivable	(8,239)
Decrease in real estate for sale and real estate under construction for sale in the real estate business	1,091
Purchases of operational investment securities	(2,390)
Net cash provided by operating activities	49,570

(Continued)

	Amount
	(In millions)
(Continued)	
Investing Activities:	
Time deposits	(233)
Proceeds from withdrawal of time deposits	232
Purchases of tangible fixed assets	(569)
Proceeds from sales of tangible fixed assets	8
Purchases of intangible fixed assets	(271)
Purchases of investment securities	(2,180)
Proceeds from sales of investment securities	7,650
Proceeds from redemption of investment securities	3,011
Purchases of investment in affiliated companies	(9)
Purchases of other investment in affiliated companies	(2,072)
Proceeds from redemption of other investment in affiliated companies	1,201
Payments for changes in capital contributions	(0)
Other	(295)
Net cash provided by investing activities	6,471
Financing Activities:	
Deposits of restricted cash in banks	(3,677)
Proceeds from withdrawal of restricted cash in banks	4,038
Proceeds from short-term borrowings	71,265
Repayments of short-term borrowings	(87,205)
Proceeds from issuance of commercial paper	63,300
Payments for redemption of commercial paper	(90,400)
Proceeds from long-term borrowings	49,677
Repayments of long-term borrowings	(76,328)
Proceeds from issuance of bonds	24,504
Payments for redemption of bonds	(1,230)
Payments for cash collateral for bond issuance	(1,850)
Increase in asset-backed securities	4,150
Decrease in asset-backed securities	(15,813)
Increase in long-term deposits	(565)
Decrease in long-term deposits	695
Redemption of cash collateral from share lending agreements	(1,640)
Proceeds from sales of bonds	9,500
Repayments for repurchase of bond	(9,500)
Proceeds from issuance of new shares to minority interest	427
Dividends paid	(7)
Dividends paid to minority interest	(227)
Purchases of treasury stock	(2,406)
Proceeds from sales of treasury stock	173
Other	(263)
Net cash used in financing activities	(63,384)
Effect of exchange rate changes on cash and cash equivalents	(96)
Net decrease in cash and cash equivalents	(7,438)
Cash and cash equivalents at beginning of period	27,625
Cash and cash equivalents at end of period	¥ 20,186

(3) Segment Information

1) Business Segment Information

Business segment information for the nine months ended December 31, 2007 is as follows:

	Nine Months Ended December 31, 2007						
	Integrated Financial Services	Servicing Business	Real Estate Business	Other Businesses	Total	Eliminations	Consolidated
	(In millions)						
Operating revenues:							
(1) Operating revenues from third parties	¥ 29,844	¥15,134	¥22,715	¥1,169	¥68,863	¥ -	¥68,863
(2) Operating revenues from inter-segment sales or transfers	1,044	8,997	-	52	10,094	(10,094)	-
Total operating revenues	30,888	24,132	22,715	1,221	78,958	(10,094)	68,863
Operating (losses) income	¥(10,482)	¥ 5,728	¥ 4,130	¥ (193)	¥ (817)	¥ (1,466)	¥(2,284)

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 leases, etc.
Provider of guarantee services
Securities business
- (2) Servicing Business: Management, collection, acquisition, and investment in specific money claims
- (3) Real Estate Business: Real estate transactions
Real estate development
Asset management
- (4) Other Businesses: SME support services
Agent for life or non-life insurance companies, etc.

2) Geographical Segment Information

Geographical segment information is omitted for the nine months ended December 31, 2007 as domestic operating revenues accounted for more than 90% of total operating revenues for all segments during the period.

3) Overseas Operating Revenues

Information on overseas operating revenues is omitted for the nine months ended December 31, 2007 as overseas operating revenues accounted for less than 10% of total operating revenues during the period.

6. Other Information

Operating Results of the Group

(1) Operating Revenues by Business Segment

	Nine Months Ended December 31,			
	2008		2007	
	Amount	Percentage of Total	Amount	Percentage of Total
(In millions except percentages)				
Integrated Financial Services:				
Interest income from notes and loans receivable:				
Secured loans	¥ 2,092	8.0%	¥ 5,083	7.4%
SME loans	2,247	8.6	8,973	13.0
Discount notes	2	0.0	94	0.1
Consumer loans	1,875	7.2	3,752	5.5
Total	6,218	23.8	17,903	26.0
Fees received	121	0.5	1,672	2.4
Guarantee fees received	1,603	6.1	1,517	2.2
Revenue from leases and installment loans receivable	2,832	10.8	4,397	6.4
Other	2,686	10.3	4,352	6.3
Total	7,244	27.7	11,940	17.3
Sub-total	13,462	51.5	29,844	43.3
Servicing Business:				
Revenue from collections of purchased loans receivable	6,410	24.5	8,996	13.1
Revenue from sales of real estate	2,506	9.6	4,326	6.3
Other	1,279	4.9	1,811	2.6
Sub-total	10,196	39.0	15,134	22.0
Real Estate Business:				
Revenue from sales of real estate	979	3.7	21,360	31.0
Other	1,050	4.1	1,354	2.0
Sub-total	2,029	7.8	22,715	33.0
Other Businesses:				
Other	428	1.7	1,169	1.7
Total	¥26,116	100.0%	¥68,863	100.0%

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

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

(2) Operating Assets by Business Segment

	December 31,			
	2008		2007	
	Amount	Percentage of Total	Amount	Percentage of Total
(In millions except percentages)				
Integrated Financial Services:				
Notes and loans receivable:				
Secured Loans	¥26,279	32.3%	¥70,752	27.9%
SME loans	13,748	16.9	52,293	20.6
Discount notes	13	0.0	349	0.1
Consumer loans	12,797	15.7	24,498	9.6
Total	52,839	64.9	147,893	58.2
Compensation of loans receivable	3,307	4.1	1,612	0.6
Assets held for finance leases, of which ownership is non-transferable:				
Machinery	169	0.2	267	0.1
Equipment	1,439	1.8	2,355	0.9
Software	306	0.4	482	0.2
Other	21	0.0	32	0.0
Total	1,936	2.4	3,137	1.2
Assets held for operating leases	1,403	1.7	2,033	0.8
Installment loans receivable	2,725	3.3	16,008	6.3
Margin transaction assets	-	-	1,707	0.7
Other	1,857	2.3	5,516	2.2
Sub-total	64,069	78.7	177,909	70.0
Servicing Business:				
Purchased loans receivable	26	0.0	31,120	12.3
Real estate for sale	-	-	19,671	7.7
Sub-total	26	0.0	50,791	20.0
Real Estate Business:				
Real estate for sale	10,746	13.2	15,526	6.1
Real estate under construction for sale	6,609	8.1	9,797	3.9
Sub-total	17,355	21.3	25,323	10.0
Total	¥81,451	100.0%	¥254,024	100.0%

Notes: 1. Installment loans receivable presented above are the amount after the deduction of unearned revenues from installment loans receivable.

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,	
	2008	2007
	Amount	Amount
(In millions)		
Guarantees for loans and accounts receivable	¥31,150	¥20,641

Note: Guarantees for loans and accounts receivable presented above are the amounts after the deduction of the reserve for guarantee losses and reserve for losses on business of affiliated companies.

3. Nissin Servicer Co., Ltd., a consolidated subsidiary which mainly engages in the servicing business, became an affiliate accounted for under the equity method as of December 31, 2008.