

Presentation of 3rd Quarter Results for FY2008

NIS GROUP CO., LTD.
8571

※The figures herein are based on Japanese GAAP.

The term “FY 2008” refers to the Company’s fiscal year ending March 31, 2009 and other fiscal years are referred to in a corresponding manner unless otherwise stated.

Table of Contents



I. Summary of 2nd Quarter results for FY2008

▪ Summary of Operating Results (Consolidated)	...1
▪ Breakdown of Special Losses (Consolidated)	...2
▪ Implementation of Rehabilitation Plan	...3
▪ Balance Sheets (Consolidated)	...4
▪ Breakdown of Operating Revenues and Operating Income by Business Segments	...5
▪ Trend of Losses on Excess Interest Repayments	...6
▪ Funding Situation (Non-consolidated)	...7
▪ Decrease of Borrowings	...8
▪ Future Strategy	...9

II. Reference

▪ Loan Business (Non-consolidated)	... 10
▪ Trend of Loan Charge-Offs and Excess Interest Repayments (Non-consolidated)	... 11
▪ Breakdown of Investments in Securities	... 12

I. Summary of 3rd Quarter Results for FY2008

Summary of Operating Results (Consolidated)



■ NIS Group Co., Ltd. and its consolidated subsidiaries face decreasing operating revenue, as the Japanese economy has fallen into steep recession due to the global downturn in the midst of a prolonged period of turmoil in the global financial and capital markets. This decline 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 as a result of the worsening liquidity crunch in the Japanese real estate market. The large ordinary losses are mainly attributable to impairment losses on real estate caused by the significant downturn in the real estate markets and additional allowance for loan losses.

(Millions of yen except percentages)

	3Q FY2007	3Q FY2008	YoY %
Operating revenues	68,863	26,116	(62.1)
Net operating revenues (expenses)	35,171	(45)	-
Operating losses	2,284	27,788	-
Ordinary losses	3,642	27,534	-
Special gains	286	2,762	866.0
Special losses	10,436	20,137	93.0
Net losses	22,363	45,195	-

Breakdown of Special Losses

(Millions of yen)

Losses on exercise of convertible preferred interest (Losses related to conversion of interest in Nissin Leasing (China))	8,809 ¹
Investment securities	4,981
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 ²
Losses on impairment, disposal, and sales of fixed assets	1,896
Others	2,076
Losses on impairment of other investments in affiliated companies	904
Losses on sales of investments in affiliated companies	510
Other	661
Special losses	20,137

Notes 1. TPG's payment of ¥2,387 million for the settlement of the termination of strategic and business alliances was incurred as special gains.

2. ¥2,987 million in gains on foreign exchange related to the cancellation of currency-swap was incurred as other income.

Implementation of Rehabilitation Plan

1 Reorganization of the Group's business structure

○ Expansion of fee income through a shift to business generating fee income

- Focusing on the M&A advisory business.
- Arrangement of investment and financial projects and operating investment funds.

2 Stabilization of the Group's financial base

○ Implementation of strategic capital and business alliances with Chusho-Kigyo Hosho Kiko

- Reinforcing relationship with Chusho-Kigyo Shinko network and further implementing management rehabilitation plan.

○ Support from TPG

- TPG will continue to dispatch of one director as long as investment vehicles managed by TPG hold the Company's common shares.
- TPG will continue to provide support to resolve the Company's cash flow issues as long as investment vehicles managed by TPG hold the Company's common shares.
- Remaining share will be transferred to the Company or its third party designee around the time of the Company's Ordinary General Meeting of the Shareholders. (Jun. 2009) Proceeds from the transfer, if the transfer is made to a third party, will be paid to the Company as a part of the settlement for the termination of alliance.

○ Stabilization of funds procurement

- Incubator Bank of Japan have shown willingness to provide the necessary financial support, and the Company is able to obtain financial support from certain other lenders conditioned on the willingness of Incubator Bank of Japan.

3 Establishment of lean organizational structure

○ Organizational restructuring

○ Fixed cost reduction

- Promote further cost reductions by outsourcing a part of its operations.

Balance Sheets (Consolidated)



(Millions of yen)

Assets	2008.9.30	2008.12.31
Total current assets	125,344	86,685
Cash and deposits	7,827	3,893
Notes and loans receivable	64,039	52,839
Other loans receivable	3,093	3,738
Purchased loans receivable	24,051	26
Real estate for sale in the servicing business	13,596	-
Real estate for sale in the real estate business	17,449	17,355
Installment loans	4,531	3,508
Deffered tax assets	-	-
Others	6,095	16,551
Allowance for loan losses	(15,338)	(11,227)
Total fixed assets	44,079	32,951
Assets held for leases	4,050	3,340
Other tangible and intangible fixed assets	2,112	1,126
Investment securities	23,037	11,228
Bankrupt and delinquent loans receivable	26,390	29,211
Investments in Tokumei-Kumiai relating to loans receivable	2,440	-
Deffered tax assets	-	-
Others	4,368	8,692
Allowance for loan losses	(18,321)	(20,647)
Deferred assets	323	301
Total assets	169,746	119,937

※Guarantees for loans and accounts receivable 34,768 31,150
(After deduction of reserve for guarantee losses and reserve for business of affiliated companies)

Liabilities and net assets	2008.9.30	2008.12.31
Total current liabilities	86,319	63,554
Short-term borrowings	75,072	55,240
Accounts payable/Accrued expenses	3,120	1,311
Accrued income taxes	1,259	1,160
Unearned revenue from installment loans	1,096	783
Accrued bonuses	292	257
Reserve for guarantee losses	3,276	3,129
Others	2,199	1,671
Total long-term liabilities	54,579	44,035
Long-term borrowings	39,831	29,549
Reserve for losses on excess interest repayments	10,360	10,180
Others	4,388	4,306
Total liabilities	140,898	107,589
Common stock	26,289	26,289
Additional paid-in capital	30,180	30,180
Retained earnings	(28,827)	(43,101)
Treasury stock	(3,893)	(3,893)
Valuation and translation adjustments	1,622	1,416
Minority interest	3,397	1,457
Stock acquisition rights	78	0
Total net assets	28,848	12,348
Total liabilities and net assets	169,746	119,937

※Total interest-bearing debt 114,904 84,789

	2008.3.31	2008.9.30	2008.12.31
Net worth ratio	20.1%	14.9%	9.1%

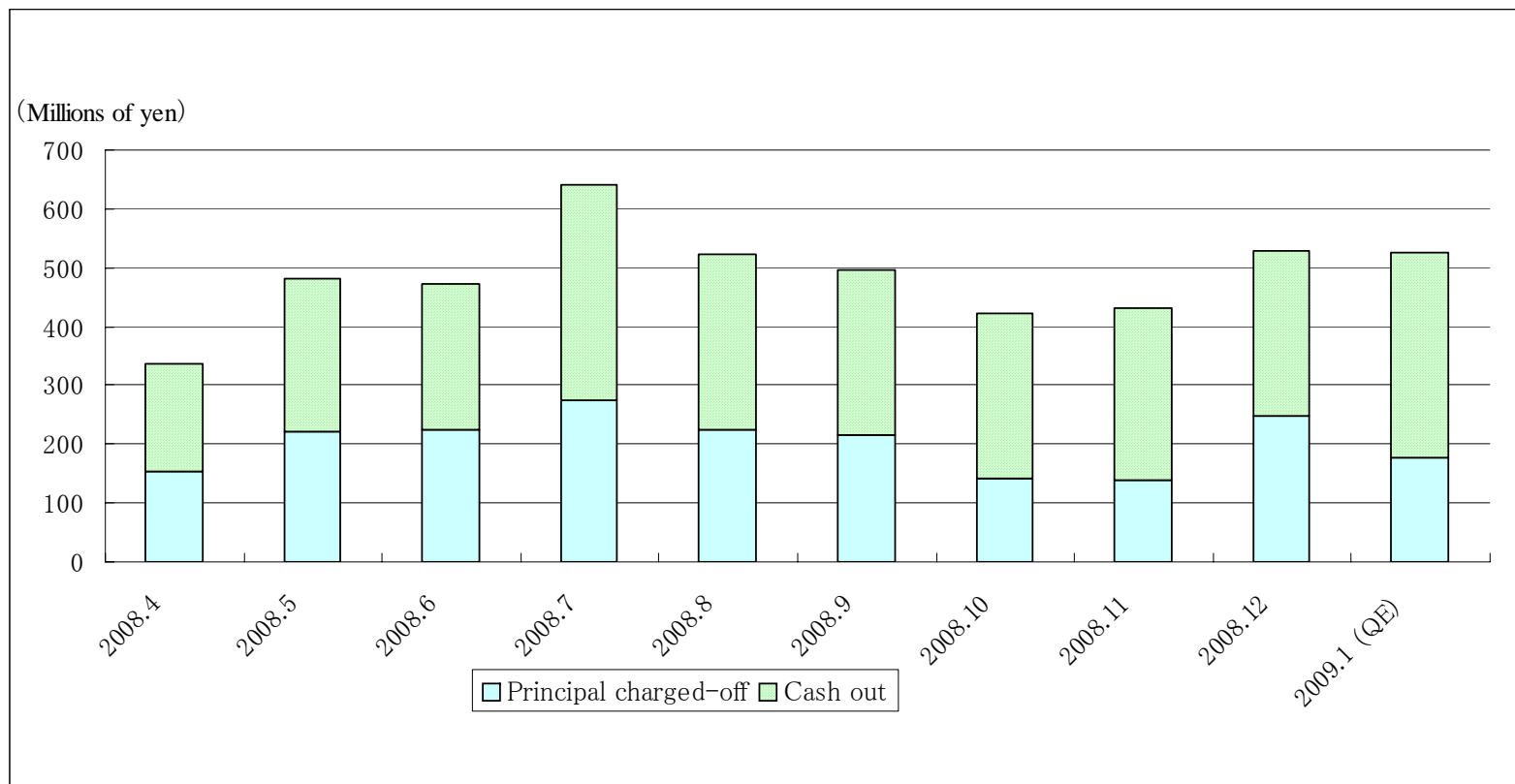
Breakdown of Operating Revenues and Operating Income by Business Segments



Business segment			Operating revenues				Operating (losses) income*	
			3Q FY2007		3Q FY2008		3Q FY2007	3Q FY2008
			Amount	%	Amount	%	Amount	Amount
Integrated financial services	Interest income from notes and loans receivable	Unsecured loans and notes	12,820	18.6	4,125	15.8	(10,482)	(15,424)
		Secured loans	5,083	7.4	2,092	8.0		
		Total	17,903	26.0	6,218	23.8		
	Fees received	1,672	2.4	121	0.5			
	Guarantee fees received	1,517	2.2	1,603	6.1			
	Revenue from leases and installment loans	4,397	6.4	2,832	10.8			
	Other	4,352	6.3	2,686	10.3			
	Total	11,940	17.3	7,244	27.7			
	Sub-total	29,844	43.3	13,462	51.5			
Servicing business	Revenue from collections of purchased loans	8,996	13.1	6,410	24.5	5,728	(4,066)	
	Revenue from sales of real estate	4,326	6.3	2,506	9.6			
	Other	1,811	2.6	1,279	4.9			
	Sub-total	15,134	22.0	10,196	39.0			
Real estate business	Revenue from sales of real estate	21,360	31.0	979	3.7	4,130	(8,021)	
	Other	1,354	2.0	1,050	4.1			
	Sub-total	22,715	33.0	2,029	7.8			
Other businesses	Others	1,169	1.7	428	1.7	(193)	(131)	
Total			68,863	100.0	26,116	100.0	(2,284)	(27,788)

*The amount of total operating income includes consolidated adjustment.

Trend of Losses on Excess Interest Repayments



(Millions of yen)

	2008.4	2008.5	2008.6	2008.7	2008.8	2008.9	2008.10	2008.11	2008.12	2009.1 (QE)
Principal charged-off	154	222	224	274	224	215	141	138	248*	178
Cash out	184	258	247	366	297	281	280	291	279	346
Total	338	480	471	641	521	496	421	429	528	524

* The principal charged-off for 2008.12 includes ¥96 million of principal to be charged off by the end of year.

Funding Situation (Non-consolidated)



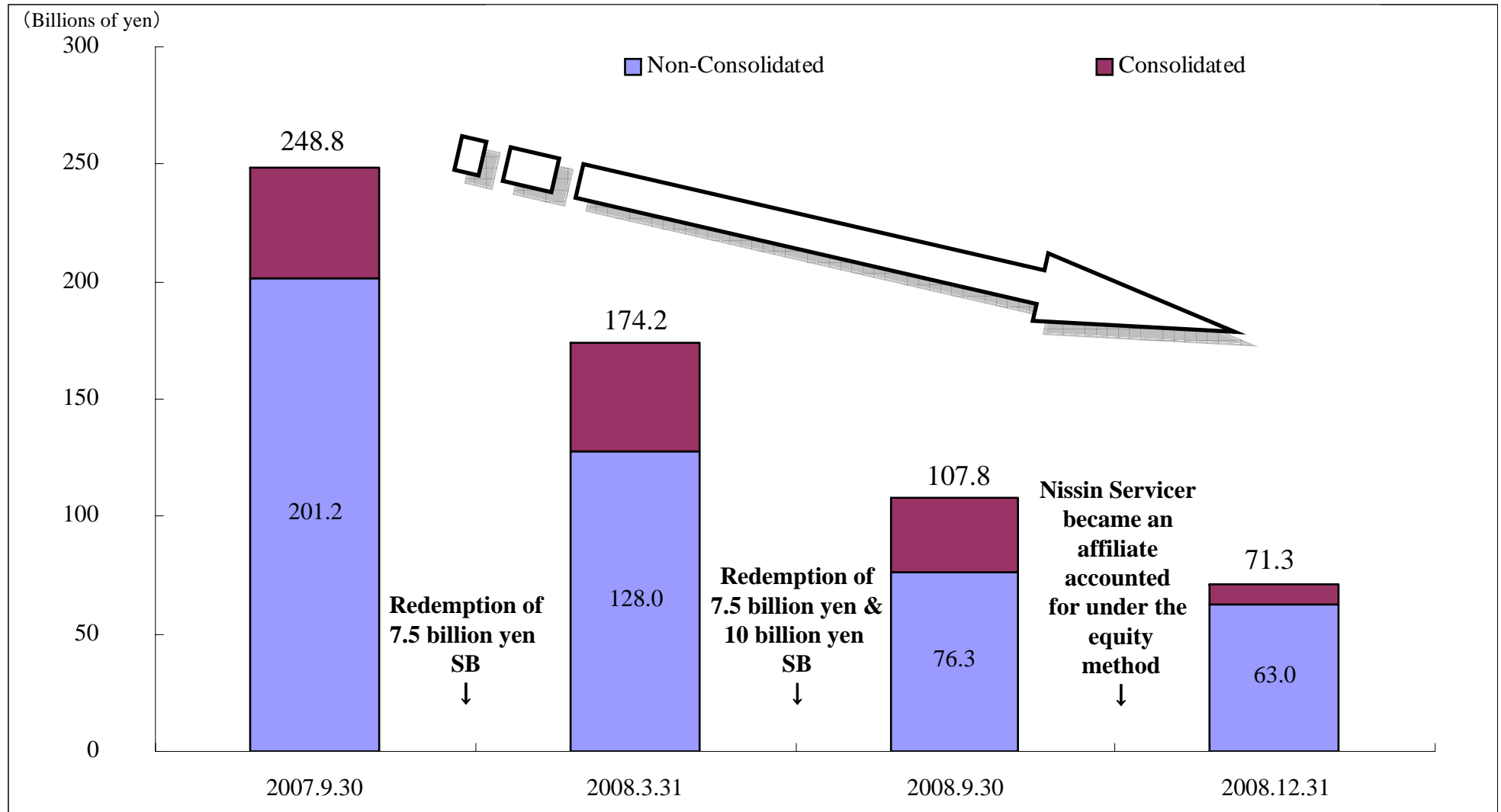
(Millions of yen except percentages)

	2007.3.31		2008.9.30		2008.12.31		YTD
	Amount	%	Amount	%	Amount	%	
Indirect	71,162	51.5%	40,715	53.3%	29,889	47.4%	(41,273)
Banks	39,691	28.7%	25,465	33.3%	18,781	29.8%	(20,910)
Insurance companies	2,062	1.5%	1,370	1.8%	703	1.1%	(1,359)
Other financial institutions	1,372	1.0%	919	1.2%	556	0.9%	(816)
Non-bank financial companies (including securities companies)	28,036	20.3%	12,959	17.0%	9,849	15.6%	(18,187)
Direct	67,065	48.5%	35,664	46.7%	33,156	52.6%	(33,909)
SB	56,880	41.1%	35,664	46.7%	33,156	52.6%	(23,724)
CP	-	-	-	-	-	-	-
Securitization	10,185	7.4%	-	-	-	-	(10,185)
Total	138,228	100.0%	76,379	100.0%	63,045	100.0%	(75,183)
Weighted average borrowing rates		2.6%		4.5%		5.6%	

Note: The Company entered into currency swap contracts in association with the U.S. dollar-denominated unsecured straight bonds issued in Jun. 2007 and other transactions; however, it cancelled these contracts in Sep. 2008.

As a result, weighted average borrowing rates for SB and others are calculated based on the U.S. dollar-denominated rate.

Decrease of Borrowings



Note: Each figure represents the aggregate amount of bonds and borrowings.

Future Strategy

■ Implement rehabilitation plan and reorganize the business structure in order to stabilize the Company's financial base.

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Loan Business (Non-consolidated)

■ Total loans outstanding

(Millions of yen except percentages)

	2008.3.31	2008.9.30	2008.12.31	YTD %
Secured loans	71,308	50,018	47,062	(34.0)
SME loans	45,503	19,491	17,951	(60.5)
Discount notes receivable	86	56	37	(55.9)
Consumer loans	23,448	16,257	14,496	(38.2)
Total	140,346	85,825	79,548	(43.3)
Amount of guarantee of loans receivable	19,490	37,551	34,102	75.0
Guarantee of loans receivable related to secured loans	4,795	12,411	12,726	165.4

Note: Loans receivable above include bankrupt and delinquent loans receivable.

■ Total loans outstanding by interest rate

(Millions of yen except percentages)

Interest rate	2008.3.31		2008.9.30		2008.12.31	
	Amount	%	Amount	%	Amount	%
Less than 5.0%	1,291	0.9	1,748	2.0	1,663	2.1
5.0% to less than 10.0%	70,198	50.0	48,293	56.3	45,429	57.1
10.0% to less than 15.0%	7,215	5.1	4,259	5.0	4,210	5.3
15.0% to less than 20.0%	16,941	12.1	8,081	9.4	7,401	9.3
20.0% to less than 25.0%	32,775	23.4	18,670	21.8	16,553	20.8
25.0% and above	11,924	8.5	4,772	5.6	4,290	5.4
Total	140,346	100.0	85,825	100.0	79,548	100.0
Average contractual interest rate (%)	14.4	-	13.3	-	13.1	-

Notes 1: Loans receivable above include bankrupt and delinquent loans receivable.

2: The average contractual interest rate is weighted-average interest rate and does not include fees, etc.

Trend of Loan Charge-Offs and Excess Interest Repayments (Non-consolidated)

【Ratio of charged-offs of loans receivable】 (Annual)

	FY2007	2Q FY2008	3Q FY2008
Secured loans	0.21%	0.10%	0.09%
SME loans	15.54%	27.90%	28.44%
Consumer loans	9.86%	11.10%	14.10%
Total	7.33%	9.23%	9.94%

【Loan charged-offs】 (Quarterly)

(Millions of yen)

	3Q FY2007	4Q FY2007	1Q FY2008	2Q FY2008	3Q FY2008
Charge-offs of loans receivable	2,593	2,281	2,414	1,735	2,133
Of which charge-offs related to excess interest repayments	688	674	601	714	528

【Allowance】 (Total of general and specific allowance)

(Millions of yen)

	FY2007	2Q FY2008	3Q FY2008
	All Products	All Products	All Products
Allowance	23,359	24,241	24,829
General allowance	3,340	1,512	1,163
Specific allowance	16,159	20,185	21,475
Allowance for excess interest repayments-related losses	3,859	2,543	2,190

【Reserve for losses on excess interest repayments (cash out)】

(Millions of yen)

	FY2007	2Q FY2008	3Q FY2008
Reserve for losses on excess interest repayments	10,766	10,360	10,180

Allowance related to losses on excess interest repayments
¥ 12,370 million

Breakdown of Investments in Securities

As of December 31, 2008

(Millions of yen except unit price and stock price)

Listed Companies: Brand	Number of shares	Unit (¥)	Book value	Stock price (¥)	Market Value	Difference
Raccoon	500	17,204	8	133,600	66	58
Riskmonster	2,500	40,550	101	51,000	127	26
Info Mart	330	120,000	39	154,800	51	11
The Bank of Kochi	60,000	63	3	63	3	-
Xinhua Finance	114,717	2,425	278	2,425	278	-
Venture Link	12,285,400	19	233	19	233	-
Soft Bank	400	2,445	0	1,603	0	(0)
Tenpos Busters	496	50,700	25	30,800	15	(9)
The Tokushima Bank	122,971	592	72	471	57	(14)
Total	12,587,314		763		834	70

Non-listed Companies and Others	Book value
Non-listed Companies (145 brands)	6,907
Bonds (9 brands)	100
Investment on Tokumei-Kumiai, etc. (17 brands)	2,653
Others (4 brands)	0
<u>175 Investees</u>	9,661

*Deemed securities are included.

Affiliated Companies (Equity methods)	Book value
Nissin Servicer	574
Credit Organization of Small and Medium-sized Enterprises	128
Nippon Real Estate Rating Services	17
Others	12
Total	732

Total	Book value
<u>190 Investees</u>	11,228

Special Notice Regarding Forward Looking Statements

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

I. Risks related to the Business Environment

- (a) Weak economic conditions
- (b) Misconduct by an employee or director, or negative publicity for our industry or the Group

II. Risks related to Laws and Regulations

- (a) Regulations concerning the loan business
 - i) Regulation concerning interest rates
 - ii) Regulation concerning excessive lending
 - iii) Regulation concerning loan operations
- (b) The Special Measures Law concerning the Claims Servicing Business
- (c) Installment Sales Law
- (d) Financial Instruments and Exchange Law
- (e) Other related regulations

III. 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