

Correction Report for Annual Financial Report

(Japanese GAAP)

This report is an English translation of “Teisei-Houkokusho,” a correction report for “Yukashoken-Houkokusho” as of and for the year ended March 31, 2008, 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.

Correction Report for Annual Financial Report

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Pursuant to: Japanese Financial Instruments and Exchange Law, Regulation 24-2-1

Administrative division for filing to: Director of Kanto Local Finance Bureau

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Company name: NIS GROUP CO., LTD.

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President, Representative Director of the Board and CEO

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(20-25, Nishiki 1-chome, Naka-ku, Nagoya City)
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Tokyo Stock Exchange, Inc.
(2-1, Nihonbashi Kabuto-cho, Chuo-ku, Tokyo)

I. THE REASON FOR SUBMISSION OF CORRECTION REPORT FOR ANNUAL FINANCIAL REPORT

Correction Report for Annual Financial Report is submitted in order to make certain corrections on a part of Annual Financial Report for the year ended March 31, 2008, submitted on June 25, 2008.

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III. CORRECTIONS

A list of errata is described below and corrections are underlined.

FIRST SECTION: CORPORATE INFORMATION

ITEM 1. OVERVIEW OF THE CORPORATION

1. KEY FINANCIAL DATA AND TRENDS

(As previously reported)

	Year Ended / As of March 31,				
	2004	2005	2006	2007	2008
	(In millions except percentages, shares, per share data and number of employees)				
Consolidated Financial Data:					
	[Omitted]				
Net cash provided by (used in) operating activities	5,053	16,202	(89,882)	(67,357)	68,045
Net cash (used in) provided by investing activities	(2,184)	(15,825)	(17,144)	(8,547)	<u>8,204</u>
Net cash (used in) provided by financing activities	(6,237)	4,765	102,574	79,728	<u>(90,168)</u>
Cash and cash equivalents at end of year	20,243	25,376	21,105	27,625	<u>11,652</u>
	[Omitted]				

(As corrected)

	Year Ended / As of March 31,				
	2004	2005	2006	2007	2008
	(In millions except percentages, shares, per share data and number of employees)				
Consolidated Financial Data:					
	[Omitted]				
Net cash provided by (used in) operating activities	5,053	16,202	(89,882)	(67,357)	68,045
Net cash (used in) provided by investing activities	(2,184)	(15,825)	(17,144)	(8,547)	<u>8,104</u>
Net cash (used in) provided by financing activities	(6,237)	4,765	102,574	79,728	<u>(92,168)</u>
Cash and cash equivalents at end of year	20,243	25,376	21,105	27,625	<u>9,552</u>
	[Omitted]				

ITEM 2. OVERVIEW OF BUSINESS

1. SUMMARY OF OPERATING RESULTS

(2) Cash Flows

(As previously reported)

As of March 31, 2008, cash and cash equivalents (“Cash”) were ¥11,652 million, a decrease of ¥15,972 million, compared with the end of the previous fiscal year. Overview of cash flows is as follows:

(Cash Flows from Operating Activities)

[Omitted]

(Cash Flows from Investing Activities)

Net Cash provided by investing activities for the year ended March 31, 2008 was ¥8,204 million, compared with ¥8,547 million used for the previous fiscal year.

Cash provided during the year ended March 31, 2008 mainly comprised ¥8,981 million provided by net sales of investment securities, compared with ¥2,490 million used in net acquisition for the previous fiscal year.

(Cash Flows from Financing Activities)

Net Cash used in financing activities for the year ended March 31, 2008 was ¥90,168 million, compared with ¥79,728 million provided for the previous fiscal year.

Cash used during the year ended March 31, 2008 mainly comprised ¥101,701 million used in net repayments of interest-bearing debt, compared with ¥39,985 million provided by net proceeds for the previous fiscal year, and ¥19,910 million provided by proceeds from issuance of new shares, compared with ¥7,910 million provided for the previous fiscal year.

(As corrected)

As of March 31, 2008, cash and cash equivalents (“Cash”) were ¥9,552 million, a decrease of ¥18,072 million, compared with the end of the previous fiscal year. Overview of cash flows is as follows:

(Cash Flows from Operating Activities)

[Omitted]

(Cash Flows from Investing Activities)

Net Cash provided by investing activities for the year ended March 31, 2008 was ¥8,104 million, compared with ¥8,547 million used for the previous fiscal year.

Cash provided during the year ended March 31, 2008 mainly comprised ¥8,981 million provided by net sales of investment securities, compared with ¥2,490 million used in net acquisition for the previous fiscal year.

(Cash Flows from Financing Activities)

Net Cash used in financing activities for the year ended March 31, 2008 was ¥92,168 million, compared with ¥79,728 million provided for the previous fiscal year.

Cash used during the year ended March 31, 2008 mainly comprised ¥101,701 million used in net repayments of interest-bearing debt, compared with ¥39,985 million provided by net proceeds for the previous fiscal year, and ¥19,910 million provided by proceeds from issuance of new shares, compared with ¥7,910 million provided for the previous fiscal year.

ITEM 5. FINANCIAL STATEMENTS

1. CONSOLIDATED FINANCIAL STATEMENTS

(1) Consolidated Financial Statements

1) Consolidated Statements of Cash Flows

(As previously reported)

	Year Ended March 31,	
	2007	2008
	Amount	Amount
	(In millions)	
	[Omitted]	
Investing Activities:		
Time deposits	(470)	(334)
	[Omitted]	
Net cash (used in) provided by investing activities	(8,547)	8,204
Financing Activities:		
Deposits of restricted cash in banks	(3,482)	(4,300)
	[Omitted]	
Net cash provided by (used in) financing activities	79,728	(90,168)
Effect of exchange rate changes on cash and cash equivalents	212	(102)
Net increase (decrease) in cash and cash equivalents	4,035	(14,020)
Cash and cash equivalents at beginning of year	21,105	27,625
Net increase in cash and cash equivalents from newly-consolidated subsidiaries	2,484	-
Net decrease in cash and cash equivalents due to exclusion of subsidiaries from the scope of consolidation (Note 2)	-	(1,952)
Cash and cash equivalents at end of year (Note 1)	¥27,625	¥11,652

(As corrected)

	Year Ended March 31,	
	2007	2008
	Amount	Amount
	(In millions)	
	[Omitted]	
Investing Activities:		
Time deposits	(470)	(434)
	[Omitted]	
Net cash (used in) provided by investing activities	(8,547)	8,104
Financing Activities:		
Deposits of restricted cash in banks	(3,482)	(6,300)
	[Omitted]	
Net cash provided by (used in) financing activities	79,728	(92,168)
Effect of exchange rate changes on cash and cash equivalents	212	(102)
Net increase (decrease) in cash and cash equivalents	4,035	(16,120)
Cash and cash equivalents at beginning of year	21,105	27,625
Net increase in cash and cash equivalents from newly-consolidated subsidiaries	2,484	-
Net decrease in cash and cash equivalents due to exclusion of subsidiaries from the scope of consolidation (Note 2)	-	(1,952)
Cash and cash equivalents at end of year (Note 1)	¥27,625	¥ 9,552

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Balance Sheets

(As previously reported)

Note 1. Assets pledged as collateral for short and long-term borrowings as of March 31, 2007 and 2008 are as follows:

	March 31,	
	2007	2008
	(In millions)	
Cash and deposits	¥ 360	¥ -
Notes and loans receivable	50,716	40,408
Purchased loans receivable	-	8,229
Real estate for sale in the servicing business	8,778	15,213
Real estate for sale and real estate under construction for sale in the real estate business	2,913	12,750
Buildings and Structures	-	376
Land	-	1,247
Investment securities	-	2,619
Total	¥62,769	¥80,843

Corresponding borrowings secured by the above collateral as of March 31, 2007 and 2008 are as follows:

	March 31,	
	2007	2008
	(In millions)	
Short-term borrowings	¥31,691	¥11,024
Current portion of long-term borrowings	7,815	32,868
Long-term borrowings	11,724	9,470
Total	¥51,231	¥53,363

[Omitted]

(As corrected)

Note 1. Assets pledged as collateral for short and long-term borrowings as of March 31, 2007 and 2008 are as follows:

	March 31,	
	2007	2008
	(In millions)	
Cash and deposits	¥ 360	¥ 2,000
Notes and loans receivable	50,716	40,408
Purchased loans receivable	-	8,229
Real estate for sale in the servicing business	8,778	15,213
Real estate for sale and real estate under construction for sale in the real estate business	2,913	12,750
Buildings and Structures	-	376
Land	-	1,247
Investment securities	-	2,619
Total	¥62,769	¥82,843

Corresponding borrowings secured by the above collateral as of March 31, 2007 and 2008 are as follows:

	March 31,	
	2007	2008
	(In millions)	
Short-term borrowings	¥31,691	¥13,024
Current portion of long-term borrowings	7,815	32,868
Long-term borrowings	11,724	9,470
Total	¥51,231	¥55,363

[Omitted]

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Consolidated Statements of Cash Flows

(As previously reported)

Note 1. Cash and cash equivalents as of March 31, 2007 and 2008 are reconciled to the accounts reported in the consolidated balance sheets as follows:

	March 31,	
	2007	2008
	(In millions)	
Cash and deposits	¥28,321	¥11,652
Time deposits with maturities of over three months	(335)	=
Restricted cash in banks pledged as collateral	(360)	=
Cash and cash equivalents	¥27,625	¥11,652

[Omitted]

(As corrected)

Note 1. Cash and cash equivalents as of March 31, 2007 and 2008 are reconciled to the accounts reported in the consolidated balance sheets as follows:

	March 31,	
	2007	2008
	(In millions)	
Cash and deposits	¥28,321	¥11,652
Time deposits with maturities of over three months	(335)	(100)
Restricted cash in banks pledged as collateral	(360)	(2,000)
Cash and cash equivalents	¥27,625	¥9,552

[Omitted]

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2. NON-CONSOLIDATED FINANCIAL STATEMENTS

(1) Non-consolidated Financial Statements

1) Non-consolidated Balance Sheets

(As previously reported)

	March 31,			
	2007		2008	
	Amount	Percentage of Total Assets	Amount	Percentage of Total Assets
(In millions except percentages)				
ASSETS:				
Current Assets:				
Cash and deposits	¥ 12,465		¥ 6,986	
	[Omitted]			

(As corrected)

	March 31,			
	2007		2008	
	Amount	Percentage of Total Assets	Amount	Percentage of Total Assets
(In millions except percentages)				
ASSETS:				
Current Assets:				
Cash and deposits (Note 2)	¥ 12,465		¥ 6,986	
	[Omitted]			

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NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

Non-consolidated Balance Sheets

(As previously reported)

Note 2. Assets pledged as collateral for short and long-term borrowings as of March 31, 2007 and 2008 are as follows:

	March 31,	
	2007	2008
	(In millions)	
Loans receivable	¥50,716	¥40,408
Investment securities	-	1,366
Total	¥50,716	¥41,774

Corresponding borrowings secured by the above collateral as of March 31, 2007 and 2008 are as follows:

	March 31,	
	2007	2008
	(In millions)	
Short-term borrowings	¥30,000	¥ 4,489
Current portion of long-term borrowings	6,690	22,519
Long-term borrowings	2,421	3,193
Total	¥39,111	¥30,201

[Omitted]

(As corrected)

Note 2. Assets pledged as collateral for short and long-term borrowings as of March 31, 2007 and 2008 are as follows:

	March 31,	
	2007	2008
	(In millions)	
<u>Cash and deposits</u>	¥ -	¥ <u>2,000</u>
Loans receivable	50,716	40,408
Investment securities	-	1,366
Total	¥50,716	¥43,774

Corresponding borrowings secured by the above collateral as of March 31, 2007 and 2008 are as follows:

	March 31,	
	2007	2008
	(In millions)	
Short-term borrowings	¥30,000	¥ <u>6,489</u>
Current portion of long-term borrowings	6,690	22,519
Long-term borrowings	2,421	3,193
Total	¥39,111	¥32,201

[Omitted]