

Quarterly Financial Report

(Japanese GAAP)

This report is an English translation of “Shihanki-Houkokusho” as of and for the three months ended September 30, 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.

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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, 2008	Three Months Ended / As of September 30, 2008	Year Ended / As of March 31, 2008
	(In millions except percentages, per share data and number of employees)		
Consolidated Financial Data:			
Operating revenues	¥ 19,811	¥ 7,561	¥ 83,027
Ordinary losses	22,327	22,935	17,438
Net losses	30,921	31,470	45,116
Net assets	-	28,848	58,763
Total assets	-	169,746	272,983
Net assets per share (in yen)	-	105.89	228.89
Net losses per share (in yen):			
Basic	129.05	131.34	289.06
Diluted	-	-	-
Net worth ratio (%)	-	14.9	20.1
Net cash provided by operating activities	56,781	-	68,045
Net cash provided by investing activities	3,278	-	8,104
Net cash used in financing activities	(64,813)	-	(92,168)
Cash and cash equivalents at end of period	-	4,804	9,552
Number of employees (persons)	-	598	708

Notes: 1. Consumption taxes are excluded from operating revenues.

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

2. DESCRIPTION OF BUSINESS

There were no significant changes in 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 three months ended September 30, 2008.

In addition, changes in the principal subsidiaries and affiliates are stated in "3. OVERVIEW OF SUBSIDIARIES AND AFFILIATES."

3. OVERVIEW OF SUBSIDIARIES AND AFFILIATES

Changes in significant subsidiaries and affiliates during the three months ended September 30, 2008, are as follows:

(1) Newly-included

Company Name (Consolidated Subsidiaries)	Location	Capital Contribution (In millions of yen)	Main Business ¹	Investment Ratio (%)	Relationship
Japan Incubation Fund ²	Chiyoda-ku, Tokyo	2,773	Integrated Financial Services	51.6%	-

Notes: 1. "Main Business" refers to the business segment.

2. The company is a "specified subsidiary" under Japanese law.

(2) Merger

The Company completed an absorption merger with NIS Property Co., Ltd., a consolidated subsidiary, on July 1, 2008.

(3) Excluded

NIS Securities Co., Ltd., a former consolidated subsidiary, and NIS Construction Co., Ltd., a former consolidated subsidiary, were excluded from the scope of consolidation, because the Company sold its ownership shares in them to outside investors.

4. EMPLOYEES

(1) Employees of the Group

	September 30, 2008 (Persons)
Number of Employees	598

Note: The number of employees represents the number of full-time employees, including employees of third parties seconded to the Group, net of employees seconded to third parties by the Group.

(2) Employees of the Company

	September 30, 2008 (Persons)
Number of Employees	450

Note: The number of employees represents the number of full-time employees, including employees of third parties seconded to the Company, net of employees seconded to third parties by the Company.

ITEM 2. OVERVIEW OF BUSINESS

1. OPERATING RESULTS

(1) Operating Results of the Group

1) Operating Revenues by Business Segment

	Six Months Ended September 30, 2008		Three Months Ended September 30, 2008	
	Amount	Percentage of Total	Amount	Percentage of Total
(In millions except percentages)				
Integrated Financial Services:				
Interest income from notes and loans receivable:				
Secured loans	¥ 1,617	8.1%	¥ 640	8.5%
SME loans	2,017	10.2	586	7.7
Discount notes	2	0.0	0	0.0
Consumer loans	1,404	7.1	632	8.4
Total	5,040	25.4	1,860	24.6
Fees received	112	0.6	60	0.8
Guarantee fees received	925	4.7	667	8.8
Revenue from leases and installment loans receivable	1,941	9.8	886	11.7
Other	1,632	8.2	754	10.0
Total	4,612	23.3	2,368	31.3
Sub-total	9,653	48.7	4,229	55.9
Servicing Business:				
Revenue from collections of purchased loans receivable	4,806	24.3	1,485	19.6
Revenue from sales of real estate	2,483	12.5	756	10.0
Other	1,002	5.1	424	5.7
Sub-total	8,292	41.9	2,665	35.3
Real Estate Business:				
Revenue from sales of real estate	830	4.2	-	-
Other	690	3.5	369	4.9
Sub-total	1,520	7.7	369	4.9
Other Businesses:				
Other	344	1.7	296	3.9
Total	¥19,811	100.0%	¥7,561	100.0%

Notes: 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

	September 30, 2008	
	Amount	Percentage of Total
	(In millions except percentages)	
Integrated Financial Services:		
Notes and loans receivable:		
Secured Loans	¥ 34,069	25.7%
SME loans	15,169	11.5
Discount notes	32	0.0
Consumer loans	14,767	11.2
Total	64,039	48.4
Compensation of loans receivable	2,618	2.0
Assets held for finance leases, of which ownership is non-transferable:		
Machinery	198	0.2
Equipment	1,647	1.2
Software	345	0.3
Other	24	0.0
Total	2,215	1.7
Assets held for operating leases	1,834	1.4
Installment loans receivable	3,435	2.6
Other	3,098	2.3
Sub-total	77,241	58.4
Servicing Business:		
Purchased loans receivable	24,051	18.1
Real estate for sale	13,596	10.3
Sub-total	37,647	28.4
Real Estate Business:		
Real estate for sale	10,840	8.2
Real estate under construction for sale	6,609	5.0
Sub-total	17,449	13.2
Total	¥132,338	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:

	September 30, 2008
	Amount
	(In millions)
Guarantees for loans and accounts receivable	¥34,768

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

(2) 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, 2007				
	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)	23,664	44.1%	¥ 27,959	13.8%	21.26%
Secured loans (excluding housing loans)	134	0.3	1,377	0.7	9.91
Housing loans	-	-	-	-	-
Sub-total	23,798	44.4	29,336	14.5	20.73
SMEs:					
Unsecured loans	29,201	54.4	54,050	26.6	21.77
Secured loans	582	1.1	119,392	58.8	7.58
Discount notes	74	0.1	149	0.1	7.60
Sub-total	29,857	55.6	173,591	85.5	12.00
Total	53,655	100.0%	¥202,928	100.0%	13.26%

Loan Category	September 30, 2008				
	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)	14,482	56.7%	¥14,675	23.1%	21.73%
Secured loans (excluding housing loans)	85	0.3	442	0.7	13.12
Housing loans	-	-	-	-	-
Sub-total	14,567	57.0	15,118	23.8	21.48
SMEs:					
Unsecured loans	10,816	42.3	14,371	22.6	22.32
Secured loans	166	0.6	33,977	53.5	7.58
Discount notes	17	0.1	32	0.1	9.58
Sub-total	10,999	43.0	48,382	76.2	11.96
Total	25,566	100.0%	¥63,501	100.0%	14.22%

Notes: 1. Each amount represents the sum of loans receivable and notes receivable.

2. The above data as of September 30, 2007 includes ¥35,883 million of off-balance-sheet loans receivable, which resulted from measures such as securitization, for comparison purposes only.

2) Loans Outstanding by Type of Pledged Assets

Pledged Assets	September 30,							
	2007				2008			
	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	34	0.1%	¥ 4,264	2.1%	7	0.0%	¥ 961	1.5%
Of which equity stock	17	0.0	2,471	1.2	3	0.0	928	1.5
Receivables	48	0.1	491	0.2	16	0.1	625	1.0
Of which bank deposits	-	-	-	-	-	-	-	-
Commodities	6	0.0	201	0.1	1	0.0	150	0.2
Real estate	628	1.2	115,812	57.1	227	0.9	32,683	51.5
Foundations	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Sub-total	716	1.4	120,769	59.5	251	1.0	34,420	54.2
Guaranteed	32,591	60.7	58,856	29.0	16,957	66.3	23,738	37.4
Unsecured	20,274	37.8	23,152	11.4	8,341	32.6	5,309	8.3
Discount notes	74	0.1	149	0.1	17	0.1	32	0.1
Sub-total	52,939	98.6	82,158	40.5	25,315	99.0	29,080	45.8
Total	53,655	100.0%	¥202,928	100.0%	25,566	100.0%	¥63,501	100.0%

Notes: 1. Each amount represents the sum of loans receivable and notes receivable.

2. The above data as of September 30, 2007 includes ¥35,883 million of off-balance-sheet loans receivable, which resulted from measures such as securitization, for comparison purposes only.

3) Loans Outstanding by Loan Term

Loan Term	September 30,							
	2007				2008			
	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	20,274	37.8%	¥ 23,152	11.4%	8,341	32.6%	¥ 5,309	8.4%
1 year or less	923	1.7	95,479	47.1	203	0.8	24,732	38.9
Over 1 year to 5 years	30,928	57.7	77,181	38.0	15,937	62.4	30,483	48.1
Over 5 years to 10 years	1,519	2.8	5,868	2.9	1,078	4.2	2,948	4.6
Over 10 years to 15 years	11	0.0	1,245	0.6	7	0.0	26	0.0
Over 15 years to 20 years	-	-	-	-	-	-	-	-
Over 20 years to 25 years	-	-	-	-	-	-	-	-
Over 25 years	-	-	-	-	-	-	-	-
Total	53,655	100.0%	¥202,928	100.0%	25,566	100.0%	¥63,501	100.0%
Average loan term per account	48 months				50 months			

Notes: 1. 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.

2. Each amount represents the sum of loans receivable and notes receivable.

3. The above data as of September 30, 2007 includes ¥35,883 million of off-balance-sheet loans receivable, which resulted from measures such as securitization, for comparison purposes only.

4) Loans Outstanding by Type of Industry

Type of Industry	September 30,							
	2007				2008			
	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	1,557	2.9%	¥ 3,494	1.7%	512	2.0%	¥ 819	1.3%
Construction	3,144	5.9	7,441	3.7	1,112	4.3	1,439	2.3
Public utilities	-	-	-	-	-	-	-	-
Transportation / Communication	690	1.3	2,302	1.1	257	1.0	554	0.9
Wholesale / Retail / Restaurants	16,781	31.3	32,596	16.1	6,395	25.0	9,998	15.7
Finance / Insurance	196	0.4	3,587	1.8	69	0.3	1,439	2.3
Real estate	832	1.5	88,147	43.3	217	0.8	22,347	35.2
Services	6,038	11.2	34,054	16.8	2,193	8.6	10,508	16.5
Individuals	23,798	44.4	29,336	14.5	14,567	57.0	15,118	23.8
Other	619	1.1	1,965	1.0	244	1.0	1,274	2.0
Total	53,655	100.0%	¥202,928	100.0%	25,566	100.0%	¥63,501	100.0%

Notes: 1. Each amount represents the sum of loans receivable and notes receivable.

2. The above data as of September 30, 2007 includes ¥35,883 million of off-balance-sheet loans receivable, which resulted from measures such as securitization, for comparison purposes only.

5) Funding Status

	September 30,			
	2007		2008	
	Amount	Average Borrowing Interest Rate	Amount	Average Borrowing Interest Rate
	(In millions except accounts and percentages)			
Borrowings from financial institutions	¥109,216	1.79%	¥40,715	2.90%
Other	122,280	1.96	50,141	4.03
Of which bonds and commercial paper	92,030	2.07	35,664	3.14
Total	¥231,497	1.87%	¥90,856	3.51%
Company's capital	¥ 96,594	-%	¥75,120	-%
Of which common stock	16,289	-	26,289	-

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,	
	2007	2008
Manned branches and loan offices	25	12

2) Operating Revenues

(a) Operating Revenue by Operating Activity

	Six Months Ended September 30,			
	2007		2008	
	Amount	Percentage of Total	Amount	Percentage of Total
	(In millions except percentages)			
Interest income from notes and loans receivable:				
Secured loans	¥ 3,201	19.6%	¥1,595	21.5
SME loans	5,379	32.9	2,017	27.2
Discount notes	8	0.1	2	0.0
Consumer loans	2,664	16.3	1,404	19.0
Sub-total	11,253	68.9	5,019	67.7
Other financial income:				
Interest income from deposits	4	0.0	29	0.4
Interest income from securities	1,569	9.6	425	5.7
Other	4	0.1	-	-
Sub-total	1,578	9.7	455	6.1
Other operating income:				
Fees received	1,450	8.9	112	1.5
Recovery from loans previously charged-off	477	2.9	490	6.6
Guarantee fees received	908	5.5	754	10.2
Other	663	4.1	588	7.9
Sub-total	3,500	21.4	1,946	26.2
Total	¥16,332	100.0%	¥7,421	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,			
	2007		2008	
	Amount	Percentage of Total	Amount	Percentage of Total
	(In millions except percentages)			
Hokkaido	¥ 275	2.5%	¥ 43	0.9%
Tohoku	230	2.0	86	1.7
Kanto	7,098	63.1	4,155	82.8
Chubu	477	4.2	105	2.1
Kinki	1,864	16.6	360	7.2
Chugoku	367	3.3	131	2.6
Shikoku	227	2.0	-	-
Kyushu	712	6.3	136	2.7
Total	¥11,253	100.0%	¥5,019	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: Hokkaido
 Tohoku: Miyagi
 Kanto: Ibaraki, Saitama, Chiba, Tokyo, Kanagawa
 Chubu: Aichi, Shizuoka
 Kinki: Kyoto, Osaka, Hyogo
 Chugoku: Hiroshima
 Shikoku: Ehime
 Kyushu: Fukuoka, Okinawa

3) Originated Loan Amounts by Product

Loan Product	Six Months Ended September 30,			
	2007		2008	
	Amount	Percentage of Total	Amount	Percentage of Total
	(In millions except percentages)			
Secured loans	¥95,572	85.1%	¥27,643	94.9%
SME loans	13,521	12.0	1,401	4.8
Discount notes	298	0.3	56	0.2
Consumer loans	2,929	2.6	24	0.1
Total	¥112,321	100.0%	¥29,126	100.0%

4) Loans Outstanding

(a) Loans Outstanding by Product

Loan Product	September 30,							
	2007				2008			
	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	593	1.1%	¥119,448	58.9%	199	0.8%	¥33,531	52.8%
SME Loans	29,296	54.6	55,242	27.2	10,843	42.4	15,169	23.9
Discount notes	74	0.1	149	0.1	17	0.1	32	0.1
Consumer loans	23,692	44.2	28,087	13.8	14,507	56.7	14,767	23.2
Total	53,655	100.0%	¥202,928	100.0%	25,566	100.0%	¥63,501	100.0%

Notes: 1. Each amount represents the sum of loans receivable and notes receivable.

2. The above data as of September 30, 2007 includes ¥35,883 million of off-balance-sheet loans receivable, which resulted from measures such as securitization, for comparison purposes only.

(b) Loans Outstanding by Loan Balance

Loan Balance	September 30,							
	2007				2008			
	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	16,167	30.1%	¥ 4,198	2.1%	10,082	39.4%	¥ 2,266	3.6%
¥500,001 ~ ¥1,000,000	10,435	19.4	8,095	4.0	5,004	19.6	3,715	5.8
¥1,000,001 ~ ¥3,000,000	19,345	36.1	35,637	17.6	8,596	33.6	14,776	23.3
¥3,000,001 ~ ¥5,000,000	5,995	11.2	23,796	11.7	1,464	5.7	5,463	8.6
¥5,000,001 ~ ¥10,000,000	1,166	2.2	7,532	3.7	281	1.1	1,784	2.8
Over ¥10,000,000	547	1.0	123,666	60.9	139	0.6	35,495	55.9
Total	53,655	100.0%	¥202,928	100.0%	25,566	100.0%	¥63,501	100.0%
Average balance of loans outstanding per account (in thousands)	¥3,782			¥2,483				

Notes: 1. Each amount represents the sum of loans receivable and notes receivable.

2. The above data as of September 30, 2007 includes ¥35,883 million of off-balance-sheet loans receivable, which resulted from measures such as securitization, for comparison purposes only.

(c) Loans Outstanding by Interest Rate

Interest Rate	September 30,							
	2007				2008			
	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%	2,537	4.7%	¥130,746	64.4%	396	1.5%	¥36,135	56.9%
From 15% to less than 20%	7,983	14.9	18,348	9.0	3,307	12.9	6,764	10.7
From 20% to less than 25%	26,958	50.2	38,871	19.2	13,901	54.4	15,966	25.1
From 25% to 29.2%	16,177	30.2	14,961	7.4	7,962	31.2	4,634	7.3
Total	53,655	100.0%	¥202,928	100.0%	25,566	100.0%	¥63,501	100.0%
Average contractual interest rate (%)	13.26%			14.22%				

Notes: 1. Each amount represents the sum of loans receivable and notes receivable.

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

3. The above data as of September 30, 2007 includes ¥35,883 million of off-balance-sheet loans receivable, which resulted from measures such as securitization, for comparison purposes only.

(d) Loans Outstanding by Region

Region	September 30,							
	2007				2008			
	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	501	0.9%	¥ 1,132	0.6%	124	0.5%	¥ 123	0.2%
Tohoku	998	1.9	1,894	0.9	262	1.0	335	0.5
Kanto	32,554	60.6	155,856	76.7	23,356	91.3	60,244	94.9
Chubu	1,107	2.1	2,445	1.2	358	1.4	332	0.5
Kinki	10,135	18.8	26,284	13.0	764	3.0	1,765	2.8
Chugoku	728	1.4	1,381	0.7	377	1.5	435	0.7
Shikoku	5,932	11.1	7,294	3.6	-	-	-	-
Kyushu	1,700	3.2	6,637	3.3	325	1.3	263	0.4
Total	53,655	100.0%	¥202,928	100.0%	25,566	100.0%	¥63,501	100.0%

Notes: 1. The definitions of the regions are listed in 2) - (b).

2. Each amount represents the sum of loans receivable and notes receivable.

3. The above data as of September 30, 2007 includes ¥35,883 million of off-balance-sheet loans receivable, which resulted from measures such as securitization, for comparison purposes only.

2. SIGNIFICANT CONTRACTS

None

3. MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

(1) Analysis of Business Performance

For the three months ended September 30, 2008, the Japanese economy has become increasingly uncertain due to stronger concerns over a global recession in the midst of a prolonged period of global financial and capital markets turmoil and a credit crunch. The liquidity of real estate in Japan has also significantly deteriorated as a result of these factors.

In order to improve operational efficiency, the Group further implemented a management reform program which has been underway since the previous fiscal year, including measures such as a reduction in assets through restructuring of loan portfolios and a review of business structures including reorganization of affiliated companies. However, it has been considerably difficult for the Company to raise funds in this business environment.

With regard to the financial results for the three months ended September 30, 2008, total operating revenues were ¥7,561 million. 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 Japanese real estate markets.

Operating income was ¥21,897 million of operating losses. This is mainly attributable to aggregate impairment losses of ¥12,066 million in 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 additional allowance for loan losses of real estate-backed loans receivable of ¥5,277 million, reflecting significant deterioration in the real estate markets in Japan. Consequently, ordinary income was ¥22,935 million of ordinary losses.

Net income for the three months ended September 30, 2008 was ¥31,470 million of net losses. This is mainly attributable to 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 ¥2,203 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.

Operating results by business segment are described below:

1) Integrated Financial Services

In integrated financial services, the Group mainly engages in secured and unsecured lending, as well as leasing and installment sales to small and medium-sized enterprises ("SMEs") in Japan. 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 were ¥4,229 million and operating losses were ¥9,007 million for the three months ended September 30, 2008.

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 were ¥2,665 million and operating losses were ¥4,131 million for the three months ended September 30, 2008.

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 were ¥369 million and operating losses were ¥10,448 million for the three months ended September 30, 2008.

4) Other Businesses

The Group engages in other businesses, including SME support services.

Operating revenues from other businesses were ¥296 million and operating losses were ¥61 million for the three months ended September 30, 2008.

(2) Analysis of Consolidated Financial Position

As of September 30, 2008, total assets were ¥169,746 million, a decrease of ¥60,360 million, compared with the end of the three months ended June 30, 2008. This is mainly attributable to a decrease of ¥24,433 million in notes and loans receivable, ¥1,661 million in purchased loans receivable, ¥12,527 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 ¥4,535 million in investment securities, compared with the end of the three months ended June 30, 2008, respectively.

As of September 30, 2008, total liabilities were ¥140,898 million, a decrease of ¥31,471 million, compared with the end of the three months ended June 30, 2008. This is mainly attributable to a decrease of ¥30,121 million in total interest-bearing debt due to a decrease in operating assets compared with the end of the three months ended June 30, 2008.

As of September 30, 2008, net assets were ¥28,848 million, a decrease of ¥28,888 million, compared with the end of the three months ended June 30, 2008. This is attributable to a decrease of ¥31,457 million in retained earnings because of net losses for the three months ended September 30, 2008.

(3) Cash Flows

As of September 30, 2008, cash and cash equivalents ("Cash") were ¥4,804 million, a decrease of ¥2,756 million, compared with the end of the three months ended June 30, 2008. The overview of cash flows is as follows:

(Cash Flows from Operating Activities)

Net Cash provided by operating activities for the three months ended September 30, 2008 was ¥20,891 million.

Cash provided during the three months ended September 30, 2008 mainly comprised ¥18,751 million provided by net collection of loans receivable and ¥902 million provided by net collection of purchased loans receivable, offset by ¥31,026 million of losses before income taxes and minority interest.

(Cash Flows from Investing Activities)

Net Cash provided by investing activities for the three months ended September 30, 2008 was ¥2,276 million.

Cash provided during the three months ended September 30, 2008 mainly comprised ¥2,007 million provided by proceeds from collections of loans to affiliated companies, while ¥130 million was used in net acquisition and sales of investment securities.

(Cash Flows from Financing Activities)

Net Cash used in financing activities for the three months ended September 30, 2008 was ¥25,929 million.

Cash used during the three months ended September 30, 2008 mainly comprised ¥26,223 million used in net repayments of interest-bearing debt.

(4) Challenges for the Group

There were no significant changes in challenges or new challenges arising for the Group during the three months ended September 30, 2008.

(5) Business Risk Factors

Certain risks that affect the Group's business results, stock price and financial position are described in "FIRST SECTION: CORPORATE INFORMATION – ITEM 2. OVERVIEW OF BUSINESS – 4. BUSINESS RISK FACTORS" of Annual Financial Report ("Yukashoken-Houkokusho") filed on June 25, 2008.

In addition, we sold receivables in order to ensure liquidity, reduce assets, and shift our business strategy. Certain of these asset transfer agreements provide for guarantees from us for receivables sold or include conditions for the cancellation of transfers which may burden us in the future. Also, in respect of certain receivables sold, we have some cases assumed responsibility for claims from borrowers for repayments of interest in excess of the Interest Rate Restriction Law, if a transferee cannot refund such excess interest, etc.

If defaults on receivables sold or claims for repayments of excess interest from borrowers of receivables sold increase, our financial condition or results of operations could be adversely affected.

(6) Research and Development

None

ITEM 3. OVERVIEW OF PROPERTY AND EQUIPMENT

1. MAJOR PROPERTY AND EQUIPMENT

There were no significant changes in the Group's major property and equipment during the three months ended September 30, 2008.

2. PLANS FOR ACQUISITIONS AND DISPOSALS OF PROPERTY AND EQUIPMENT

(1) Acquisitions of Major Property and Equipment

1) Assets for Internal Use

The following relocations and acquisitions, which were planned as of June 30, 2008, were completed during the three months ended September 30, 2008:

Company Name	Description (Business Segment)	Expenditures (In millions)	Date of Completion
NIS Group Co., Ltd.	Installation of equipment at Tokyo Head Office (Integrated Financial Services)	¥17	September 2008
	Relocation and renovation of branches and loan offices (Integrated Financial Services)	¥24	August 2008

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

In addition, there were no significant plans for relocations and acquisitions of major property and equipment newly determined during the three months ended September 30, 2008.

2) Assets Held for Leases

The following acquisition of assets held for leases, which was planned as of June 30, 2008, was completed during the three months ended September 30, 2008:

Company Name	Description (Business Segment)	Expenditures (In millions)
NIS Lease Co., Ltd.	Assets held for leases (Integrated Financial Services)	¥11

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

In addition, there were no significant changes in plans for acquisitions of assets held for leases during the three months ended September 30, 2008.

(2) Disposals of Major Property and Equipment

There were no disposals of major property and equipment planned or implemented as of June 30, 2008.

In addition, there were no significant plans for disposals of major property and equipment newly determined during the three months ended September 30, 2008.

ITEM 4. 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	384,000,000
Total	384,000,000

2) Total Number of Issued Shares

Type of Shares	September 30, 2008 (Shares)	November 14, 2008 (Filing Date) (Shares)	Stock Exchange	Details
Common stock	245,894,350	245,894,350	Tokyo Stock Exchange (First Section)	-
Total	245,894,350	245,894,350	-	-

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, 2008 to the filing date of this Quarterly Financial Report.

2. The Company voluntarily delisted from the New York Stock Exchange on August 4, 2008.

(2) Information on Stock Acquisition Rights and Convertible Bonds

Stock Acquisition Rights Issued under the Former Amended Commercial Code of Japan

(Special Resolution at the Annual Shareholders' Meeting on June 22, 2005)

	September 30, 2008
Number of stock acquisition rights:	3,050 units
Number of stock acquisition rights for share repurchases:	-
Type of shares:	Common stock
Number of shares of common stock issuable upon exercise:	61,000 shares (Note 1)
Amount to be paid in upon exercise:	¥2,620 per share (Note 2)
Exercise period:	From April 1, 2006 to March 31, 2009
Exercise price:	¥2,620 per share
Amount to be credited to common stock:	¥1,310 per share
Requirement for exercise of stock acquisition rights:	Grantee must be a director, statutory auditor, corporate advisor, contract employee or regular employee (including employees of the Group seconded to other companies and employees of other companies seconded to the Group), or director, statutory auditor or employee of a business counterparty of the Company approved by the Board of Directors at the time of the exercise of such stock acquisition rights. Business counterparties approved by the Board of Directors are bound by the Contract entered into between the Company and each grantee. However, stock acquisition rights may be exercised upon the retirement of a director, retirement due to age or under certain other reasonable circumstances. Other requirements for the exercise of stock acquisition rights are defined in the Contract executed pursuant to the approval by the Annual Shareholders' Meeting and the Board of Directors.
Transfer restrictions:	Upon approval by the Board of Directors
Substitution for cash payment:	-
Restriction on issuance in connection with organizational restructuring:	-

Notes: 1. In the event of a split or consolidation of the Company's stock, the number of shares issuable upon exercise per stock acquisition right unit will be adjusted by the following formula, except that the number of shares issuable upon exercise will be rounded down to the nearest share:

$$\text{Number of shares as adjusted} = \text{Number of shares before adjustment} \times \text{Split or consolidation ratio}$$

2. In the event of a split or consolidation of the Company's stock, the paid-in amount of exercised shares per stock acquisition right unit will be adjusted by the following formula, with any fraction of ¥1 occurring upon such adjustment rounded upward to the nearest yen:

$$\text{Paid-in amount as adjusted} = \text{Paid-in amount before adjustment} \times \frac{1}{\text{Split or consolidation ratio}}$$

In the event that the Company issues new shares or distributes shares of treasury stock of the Company at a price lower than the current market price after the issuance of the stock acquisition right, the paid-in amount shall be adjusted in accordance with the following formula, with any fraction of ¥1 occurring upon such adjustment rounded upward to the nearest yen:

$$\text{Paid-in amount as adjusted} = \text{Paid-in amount before adjustment} \times \frac{\frac{\text{Number of already issued shares} + \frac{\text{Number of newly issued (distributed) shares} \times \text{Paid-in price per share}}{\text{Current market price per share}}}{\text{Number of already issued shares} + \text{Number of newly issued (distributed) shares}}}$$

Stock Acquisition Rights Issued under the Corporate Law of Japan

(Special Resolution at the Extraordinary Shareholders' Meeting on February 18, 2008)

September 30, 2008

Number of stock acquisition rights:	87,500 units
Number of stock acquisition rights for share repurchases:	-
Type of shares:	Common stock
Number of shares of common stock issuable upon exercise:	8,750,000 shares
	(1) NIS Group Co., Ltd. 10th Equity Warrant (the "Equity Warrant") is exercisable for shares of the Company's common stock. The number of shares to be issued upon exercise of one equity warrant (the "Allotted Shares") shall be 100 shares.
	(2) However, upon any adjustment in the Exercise Price (as defined below) pursuant to "Amount to be paid in upon exercise" below, for each Equity Warrant, the number of Allotted Shares shall be adjusted to equal the number of shares obtained by multiplying the Exercise Price in effect immediately prior to such adjustment by the number of Allotted Shares deliverable upon exercise of one Equity Warrant immediately prior to such adjustment and dividing the product thereof by the Exercise Price resulting from such adjustment.
	(3) If, in accordance with paragraph (2) above, an adjustment to the number of shares would result in a fraction of an integral number of one share, such situation will be dealt with in the manner set forth in Article 283 of the Corporate Law.
Amount to be paid in upon exercise:	1. The value of property that will be contributed upon exercise of the Equity Warrants:
	(1) The value of property that will be contributed upon exercise of one Equity Warrant is calculated by multiplying the number of Allotted Shares by the Exercise Price (as adjusted pursuant to "3. Adjustment of Exercise Price" below). Values below one yen will be rounded down to the nearest integral number.
	(2) The amount to be paid per share for the shares issued by the Company upon exercise of Equity Warrants (the "Exercise Price") shall, initially, be ¥200 per share (the "Initial Exercise Price"). However, if the average closing price of the Company's common stock in ordinary trading on the Tokyo Stock Exchange, Inc. (including the average of the bid prices (<i>uri-kehaine</i>) and ask prices (<i>kai-kehaine</i>) or, if more than one in either case, the average of the average bid prices and average ask prices) for the five consecutive trading days ending the day (inclusive) before the exercise date, falls below the Initial Exercise Price (or the Exercise Price after adjustment, if adjusted pursuant to "3. Adjustment of Exercise Price"), the Exercise Price shall be obtained by multiplying 0.9 to the Initial Exercise Price (or the Exercise Price after adjustment, if adjusted pursuant to "3. Adjustment of Exercise Price") (rounded down to the nearest first decimal place) (if any event requiring adjustment of the Exercise Price pursuant to "3. Adjustment of Exercise Price" should arise during such five consecutive trading days, the value calculated by multiplying 0.9 to the Exercise Price shall be subject to further adjustments considered appropriate by the Company pursuant to these terms and conditions). In addition, the Exercise Price is subject to adjustment as noted in "3. Adjustment of Exercise Price."
	2. Amendment of Exercise Price No amendment will be made to the Exercise Price of the Equity Warrants.
	3. Adjustment of Exercise Price
	(1) In case the Company shall, while any of the Equity Warrants are outstanding, conduct a stock split or a reverse stock split of the shares of Common Stock of the Company, the Exercise Price shall be adjusted in accordance with the following formula:
	$\text{Adjusted Exercise Price} = \frac{\text{Exercise Price in effect at the opening of business on the day following the day upon which such stock split or consolidation becomes effective} \times \text{The number of shares of Common Stock Outstanding immediately before such split or consolidation}}{\text{The number of shares of Common Stock Outstanding immediately after such split or consolidation}}$

Such adjustment of the Exercise Price shall become effective immediately after the opening of business in Japan on the day following the day on which such stock split or consolidation becomes effective.

In this section, "Common Stock" means the common stock of the Company and shares of common stock of the Restructuring Company (as defined in "Restructuring on issuance in connection with organizational restructuring" below) as at the relevant time.

In this section, "Common Stock Outstanding" means the number of issued and outstanding shares of Common Stock of the Company (which under Japanese law includes common stock of the Company held as treasury stock) minus the number of the shares of Common Stock of the Company held by the Company as treasury stock.

- (2) In case the Company shall, while any of the Equity Warrants are outstanding, offer to all holders of shares of Common Stock Outstanding (x) new shares of Common Stock of the Company, or (y) shares of Common Stock of the Company held by the Company as treasury stock, in either case as a gratis allotment of shares of Common Stock (excluding any case of conversion, exchange or exercise of the securities, rights, or warrants set forth in paragraph (3) below), then the Exercise Price shall be adjusted as follows:

$$\text{Adjusted Exercise Price} = \frac{\text{Exercise Price in effect at the opening of business on the day when such adjustment becomes effective}}{\frac{\text{Number of shares of Common Stock Outstanding} + \text{Total number of shares of Common Stock so allotted}}{\text{Number of shares of Common Stock Outstanding}}} \times \text{Number of shares of Common Stock Outstanding}$$

Number of shares of Common Stock Outstanding used in the formula set forth in this paragraph shall be the number of shares of Common Stock Outstanding as of the record date fixed for determination of shareholders entitled to such gratis allotment in case the Company fixed such date (in all other cases, as of the day one month prior to the day upon which the Exercise Price after adjustment becomes effective). Such adjustment of the Exercise Price shall become effective immediately after the opening of business in Japan on the day following the record date fixed for the determination of stockholders entitled to receive such gratis allotment (if the record date is not fixed, the effective date thereof).

If any allotment of the type described in this paragraph is determined but not so made, the Exercise Price shall again be adjusted to the Exercise Price that would have been in effect if such gratis allotment had not been determined.

- (3) In case the Company shall, while any of the Equity Warrants are outstanding, confer to all holders of shares of Common Stock Outstanding, any securities, rights, or warrants (including any warrants attached to bonds with warrants (the same applies hereinafter)) (such conferment includes any gratis allotment of shares and warrants), which entitle the holders thereof to acquire from the Company shares of Common Stock (other than any gratis allotment of share of Common Stock to which paragraph (2) above applies) or any securities, rights or warrants convertible into or exchangeable for or exercisable for shares of Common Stock, at a Price Per Share less than the Current Market Price on the day on which the adjusted Exercise Price becomes effective, the Exercise Price shall be adjusted as follows:

$$\begin{array}{r}
 \text{Adjusted Exercise Price} = \frac{\text{Exercise Price at the opening of business on the day on which the adjusted Exercise Price becomes effective}}{\text{Number of shares of Common Stock which are issued or disposed} \times \text{Price Per Share}} \\
 + \frac{\text{Number of shares of Common Stock Outstanding}}{\text{Current Market Price on the day on which the adjusted Exercise Price becomes effective}}
 \end{array}$$

$$\begin{array}{r}
 \text{Number of shares of Common Stock Outstanding} + \text{Number of shares of Common Stock which are issued or disposed}
 \end{array}$$

Such adjustment of the Exercise Price shall become effective immediately after the opening of business in Japan on the day following the record date fixed for the determination of stockholders entitled to such conferment; provided, that if the record date for such conferment is not fixed, such adjustment shall become effective immediately after the opening of business in Japan on the day following (i) the payment date or the last day of the payment period of the relevant shares or (ii) the effective date in the case of a gratis allotment of shares and warrants. The Exercise Price after adjustment shall be calculated in accordance with the above formula, assuming that all the securities, rights, or warrants to be issued or disposed of have been (i) converted at the initial conversion price, (ii) exchanged at the initial exchange price or (iii) exercised at the initial exercise price, as the case may be (in case of the securities, rights, or warrants which entitle the holders thereof to acquire from the Company any securities, rights, or warrants convertible into or exchangeable for or exercisable for shares of Common Stock, further assuming that all such securities, rights, or warrants have been (i) converted at the initial conversion price, (ii) exchanged at the initial exchange price or (iii) exercised at the initial exercise price, as the case may be).

Notwithstanding the above, in case that the consideration for the shares of Common Stock of the Company to be delivered upon conversion, exchange or exercise cannot be determined as of the day when such adjustment becomes effective as provided for in the preceding paragraph, the Exercise Price after adjustment shall be calculated in accordance with the above formula, assuming that all the outstanding securities, rights, or warrants then issued and outstanding are converted, exchanged or exercised in accordance with the terms and conditions thereof as of the date of determination of such consideration (in case of the securities, rights, or warrants which entitle the holders thereof to acquire from the Company any securities, rights, or warrants convertible into or exchangeable for or exercisable for shares of Common Stock, further assuming that all such securities, rights, or warrants have been (i) converted at the initial conversion price, (ii) exchanged at the initial exchange price or (iii) exercised at the initial exercise price, as the case may be) (in which case adjustment of the Exercise Price shall become effective immediately after the opening of business on the day following the determination of such consideration).

Number of shares of Common Stock Outstanding used in the formula set forth in this paragraph shall be the number of shares of Common Stock Outstanding as of the record date fixed for determination of shareholders entitled to rights to receive allotment upon the relevant offering, issuance or disposal in case the Company fixed such date (in all other cases, as of the day one month prior to the day upon which the Exercise Price after adjustment becomes effective).

In the event that conferment of such securities, rights, or warrants is determined but not so issued or delivered upon the issuance date or effective date, the Exercise Price shall again be adjusted to be the Exercise Price that would have been in effect if such conferment had not been determined.

For the purposes of this paragraph only, the capitalized term "Price Per Share" means the amount calculated by $(A - B) \div C$, where:

"A" means the amount paid to the Company by the recipients of such conferred securities, rights, or warrants to acquire the relevant securities, rights, or warrants (in the case of warrants, the amount to be contributed upon the exercise should be added; and in case of the securities, rights, or warrants which entitle the holders thereof to acquire from the Company any securities, rights, or warrants exercisable for shares of Common Stock, the amount to be contributed upon the exercise of such securities, rights or warrants should be added);

"B" means the amount of cash and the value of the other assets (which should be reasonably determined in good faith by the Board of Directors of the Company) (excluding the shares of Common Stock) to be delivered to the holder of such securities, rights, or warrant upon the conversion, exchange or exercise thereof (in case of the securities, rights, or warrants which entitle the holders thereof to acquire from the Company any securities, rights, or warrants convertible into or exchangeable for or exercisable for shares of Common Stock, the amount of such cash and the value of such other assets to be delivered upon the conversion, exchange or exercise thereof should be added); and

"C" means the number of shares of Common Stock to be acquired upon conversion at the initial conversion price, exchange at the initial exchange price, or exercise at the initial exercise price of such conferred securities, rights, or warrants (in case of the securities, rights, or warrants which entitle the holders thereof to acquire from the Company any securities, rights, or warrants convertible into or exchangeable for or exercisable for shares of Common Stock, the number of shares of Common Stock to be acquired upon conversion at the initial conversion price, exchange at the initial exchange price, or exercise at the initial exercise price of such securities, rights, or warrants should be added).

In this section, "Current Market Price" means, on any date, the average of the Sale Price per share of Common Stock for the 30 consecutive Trading Days commencing 45 Trading Days prior to such date. In such case, the average shall be rounded to the nearest tenth of a yen.

In this section, "Trading Day" for the Common Stock means a day on which the Tokyo Stock Exchange, Inc. is open for business.

In this section, "Sale Price" of the Common Stock on any date means the last reported per share sale price (or, if no last sale price is reported, the average of the bid prices and ask prices or, if more than one in either case, the average of the average bid prices and average ask prices) on such date as reported in ordinary transactions for the Tokyo Stock Exchange, Inc., or if the Common Stock is not listed on the Tokyo Stock Exchange, Inc. at the relevant time, any other principal financial instruments exchange in Japan on which the Common Stock is then listed. In the absence of such quotations, the Board of Directors of the Company shall make a good faith determination of the Sale Price.

(4) In case the Company shall, while the Equity Warrants are outstanding, distribute or allot to all holders of its Common Stock Outstanding shares of any class of Capital Stock of the Company (other than any dividends, distributions, or allotments of Common Stock to which paragraph (2) above applies) or evidences of its indebtedness or assets (including securities, but excluding any securities, rights, or warrants referred to in paragraph (3) above, and excluding any dividend, distribution or allotment (x) paid exclusively in cash or (y) referred to in paragraph (2) above) (any of the foregoing, in this section, the "Distributed Securities"), then, in each such case, the Exercise Price shall be reduced as follows:

$$\text{Adjusted Exercise Price} = \frac{\text{Exercise Price in effect on the record date with respect to such dividend, distribution or allotment} \times \left(\frac{\text{Current Market Price on such record date} - \frac{\text{Aggregate fair market value of the Distributed Securities}}{\text{Number of shares of Common Stock Outstanding on such record date}}}{\text{Current Market Price on such record date}} \right)}{1}$$

Such reduction in the Exercise Price shall become effective immediately after the opening of business on the day following the record date for such dividend, distribution or allotment.

If any dividend, distribution or allotment of the type described in this paragraph is determined but not so made, the Exercise Price shall again be adjusted to the Exercise Price that would have been in effect if such dividend, distribution or allotment had not been determined.

"Capital Stock" means, with respect to any corporation, any and all shares, warrants and rights convertible into or exchangeable for or exercisable for any class of shares issued by that corporation.

(5) In case the Company shall, while any of the Equity Warrants are outstanding, distribute to all holders of its shares of Common Stock Outstanding, cash (excluding any cash distributed as part of a distribution referred to in paragraph (4) above or upon a Restructuring Transaction (as defined in "Restriction on issuance in connection with organizational restructuring" below)), and the total sum of (i) the amount of such distributions of such cash, (ii) the amount of the distributions paid to all holders of shares of Common Stock of the Company made exclusively in cash within the 12 months preceding the effective date of such distributions (and in respect of which no adjustment pursuant to this paragraph has been made); and (iii) the aggregate amount of any cash, plus the fair market value (which shall be determined in good faith by the Board of Directors of the Company, and which shall be set forth in accordance with the resolution of such Board of Directors) of other consideration for acquisition of shares of treasury stock of Common Stock of the Company by way of a tender offer concluded within the 12 months preceding the effective date of such distribution (and in respect of which no adjustment pursuant to paragraph (6) below has been made) exceeds 10% of the product of (1) the Current Market Price on the record date with respect to such distribution, times (2) the number of shares of Common Stock Outstanding on such record date (such excess over 10%, in this section, the "Excess Amount"), then the Exercise Price shall be adjusted in accordance with the following formula:

$$\text{Adjusted Exercise Price} = \frac{\text{Exercise Price in effect immediately prior to the close of business in Japan on such record date} \times \left(\frac{\text{Current Market Price on such record date} - \text{Excess Amount}}{\text{Number of shares of Common Stock Outstanding on such record date}} \right)}$$

Such adjustment of the Exercise Price shall become effective immediately after the close of business in Japan on the record date with respect to such distribution.

- (6) In case the Company, while the Equity Warrants are outstanding, conducts a tender offer to acquire its shares of Common Stock, and the sum of (i) the fair market value (which shall be determined in good faith by the Board of Directors of the Company, and which shall be set forth in accordance with the resolution of such Board of Directors) of the consideration for acquisition of such shares (in this section, the "Purchased Shares") payable pursuant to such tender offer; (ii) the aggregate of the cash plus the fair market value (which shall be determined in good faith by the Board of Directors of the Company, and which shall be set forth in accordance with the resolution of such Board of Directors) of any other consideration payable by the Company for acquisition of shares of Common Stock of the Company in response to a tender offer concluded within the 12 months preceding the Expiration Time (as defined below) (and in respect of which no adjustment pursuant to this paragraph has been made); and (iii) the aggregate amount of the dividends to all holders of Common Stock Outstanding made exclusively in cash within the 12 months preceding the Expiration Time (and in respect of which no adjustment pursuant to paragraph (5) above has been made), exceeds 10% of the product of (1) the Current Market Price as of the last time (in this section, the "Expiration Time") tenders could have been made pursuant to such tender offer (as it may be amended), multiplied by (2) the number of shares of Common Stock Outstanding (including any Purchased Shares) at the Expiration Time, then, and in each such case, the Exercise Price shall be adjusted as follows:

$$\text{Adjusted Exercise Price} = \frac{\text{Exercise Price in effect immediately prior to close of business in Japan on the date of the Expiration Time} \times \left(\frac{\text{Fair market value of the aggregate consideration payable to stockholders based on the acceptance of the Purchased Shares} + \text{Number of shares of Common Stock Outstanding (less any Purchased Shares) at the Expiration Time} \times \text{Current Market Price of the Common Stock on the Trading Day next succeeding the Expiration Time}}{\text{Number of shares of Common Stock Outstanding (including any Purchased Shares) at the Expiration Time}} \right)}$$

$$\text{Adjusted Exercise Price} = \frac{\text{Exercise Price in effect immediately prior to close of business in Japan on the date of the Expiration Time} \times \left(\frac{\text{Fair market value of the aggregate consideration payable to stockholders based on the acceptance of the Purchased Shares} + \text{Number of shares of Common Stock Outstanding (less any Purchased Shares) at the Expiration Time} \times \text{Current Market Price of the Common Stock on the Trading Day next succeeding the Expiration Time}}{\text{Number of shares of Common Stock Outstanding (including any Purchased Shares) at the Expiration Time}} \right)}$$

Such reduction (if any) shall become effective immediately after the opening of business on the business day following the Expiration Time.

In the event that the Company is obligated to purchase shares pursuant to any such tender offer, but the Company is permanently prevented by applicable law from effecting any such purchases or all such purchases are rescinded, the Exercise Price shall again be adjusted to be the Exercise Price that would have been in effect if such tender offer had not been made.

If the application of this paragraph to any tender offer would result in an increase in the Exercise Price, no adjustment shall be made for such tender offer under this paragraph.

- (7) With respect to the formulas set forth in paragraph (1), (2), (3), (4), (5), (6) or this paragraph, each such calculation shall be rounded to the nearest tenth of a yen.

If, in the case of any transaction set forth in paragraph (1), (2), (3), (4) or (5), (x) the record date for determining the holders of shares of Common Stock of the Company for the purpose of such transaction is fixed and (y) the effectiveness of each such transaction is made subject to an approval of the general meeting of shareholders, the board of directors or any other organ of the Company on or after such record date, notwithstanding the provisions of paragraph (1), (2), (3), (4) or (5) the Exercise Price shall be adjusted on and after the date immediately following the date of such approval (the "Retroactive Adjustment").

In this case, additional shares of Common Stock of the Company shall be delivered to any person who exercised Equity Warrants during the period (i) beginning on the record date fixed for determining the holders of shares of Common Stock of the Company for the purpose of such transaction and (ii) ending on the date of the approval of such transaction, in a number equal to the excess of (x) the number of shares of Common Stock which would have been acquired upon exercise of such Equity Warrant if the relevant Retroactive Adjustment had been given effect as at the said exercise date, over (y) the number of shares of Common Stock previously acquired pursuant to such exercise. In this case, any fraction of one share shall be treated by the method provided for in Article 283 of the Corporate Law.

Exercise period:
 Exercise price:
 Amount to be credited to common stock:
 Requirement for exercise of stock acquisition rights:
 Transfer restrictions:
 Substitution for cash payment:
 Restriction on issuance in connection with organizational restructuring:

From February 20, 2008 to February 20, 2015, 5.00 p.m.
 ¥200 per share
 ¥100 per share
 Each Equity Warrant shall be exercisable only in whole and not in part.
 The acquisition of the Equity Warrants through assignment shall not require approval by resolution of the Company's board of directors.
 -

In the event the Company restructures by consolidation or merger (provided that the Company is the dissolving company in the transaction), demerger or company split (provided that in each case the Company is the de-merged company in the transaction), share exchange or share transfer (but only where the Company becomes a wholly-owned subsidiary of another corporation) (collectively, "Restructuring Transaction"), new equity warrants ("New Equity Warrants") of the joint stock corporation as specified in Article 236, Section 1, Item 8, *i* through *ho* of the Corporate Law ("Restructuring Company"), as set forth in (1) to (8) below, shall be delivered to the holders of any remaining Equity Warrants outstanding immediately prior to the relevant effective dates (for the purpose of this section, "effective dates" mean, as the case may be: (a) in case of merger, the effective date of such merger; (b) in case of consolidation, the date of establishment of a new joint stock corporation which is formed by the relevant consolidation; (c) in case of demerger, the effective date of such demerger; (d) in case of company split, the date of establishment of a new joint stock corporation which is formed by the relevant company split; (e) in case of share exchange, the effective date of such share exchange; and (f) in case of share transfer, the date of establishment of a new corporation which is formed by the relevant share transfer and has all of outstanding shares of common stock of the Company immediately after such share transfer) of the Restructuring Transaction ("Outstanding Warrants"). In such case, Outstanding Warrants shall expire and the Restructuring Company shall issue New Equity Warrants.

- (1) Number of New Equity Warrants of the Restructuring Company to be delivered: Number of warrants equal to the Outstanding Warrants held by warrant holders shall be issued.
 - (2) Type of shares of the Restructuring Company subject to New Equity Warrants: Common stock of the Restructuring Company
 - (3) Number of shares of the Restructuring Company subject to New Equity Warrants: To be decided in the manner described in paragraph (1) through (3) of “Number of shares of common stock issuable upon exercise” above, taking into account the terms and conditions of the Restructuring Transaction.
 - (4) The value of property that will be contributed upon exercise of New Equity Warrants: The amount to be contributed upon exercise of New Equity Warrants shall be calculated by multiplying (x) the Exercise Price as determined pursuant to “Amount to be paid in upon exercise” above as adjusted to take into account of the terms and conditions of the Restructuring Transaction by (y) the number of shares of the Restructuring Company subject to relevant New Equity Warrants determined pursuant to paragraph (3) above.
 - (5) The period New Equity Warrants can be exercised: From the later of the commencement date of Exercise Period for New Equity Warrants pursuant to “Exercise period” above and the effective date of the Restructuring Transaction, until the last date of the Exercise Period pursuant to “Exercise period.”
 - (6) Matters relating to increases in stated capital and additional paid-in capital from issuance of shares through exercise of New Equity Warrant: To be decided pursuant to “Exercise price” and “Amount to be credited to common stock.”
 - (7) Limitations on the acquisition of New Equity Warrants by assignment: The acquisition of New Equity Warrants through assignment shall not require an approval by resolution of the Restructuring Company’s Board of Directors.
 - (8) Terms for acquiring New Equity Warrants: No terms for the acquisition of New Equity Warrants will be set.
-

(3) Summary of Rights Plan

Not Applicable

(6) 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: 6,282,600	-	-
Capital stock with voting rights (Others)	Common stock: 238,322,900	2,383,229	-
Capital stock below one unit under the Japanese Unit Share System	Common stock: 1,288,850	-	-
Total number of issued shares	245,894,350	-	-
Total number of voting rights	-	2,383,229	-

Notes: 1. 161,300 shares (equivalent to 1,613 voting rights) nominally owned by Japan Securities Depository Center, Inc., are included in the "Capital stock with voting rights (Others)."

2. 97 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, 2008			Percentage of Total Issued Shares
		Under the Company's Name	Under Other Names	Total Number of Shares	
(Treasury stock)	7-6, Chifune-machi 5-chome, NIS Group Co., Ltd. Matsuyama City, Ehime	6,282,600	-	6,282,600	2.55%
Total	-	6,282,600	-	6,282,600	2.55%

(Shares except percentages)

2. MARKET PRICE INFORMATION

The Monthly Highest and Lowest Share Prices of the Company's Common Stock for the Six Months Ended September 30, 2008

	April 2008	May 2008	June 2008	July 2008	August 2008	September 2008
	(In yen)					
Highest	¥220	¥244	¥210	¥186	¥181	¥138
Lowest	151	193	155	155	128	99

Note: These highest and lowest prices are those quoted on the First Section of the Tokyo Stock Exchange.

3. MEMBERS OF THE BOARD OF DIRECTORS

Changes in Directors during the period from the filing date of the Annual Financial Report for the previous fiscal year to the filing date of this Quarterly Financial Report are as follows:

(1) Resignation

Current Position	Title	Name	Date of Resignation
Senior Executive Director of the Board	Executive Officer and Officer-in-Charge East Asia Region	Yunwei Chen	September 11, 2008

(2) Internal Reassignment

Current Position	Previous Position	Name	Date of Reassignment
Executive Director of the Board and Executive Officer (Deputy Head of Investment Banking, Sales & Marketing, Head of Real Estate Group Division and General Manager of Real Estate Department)	Executive Director of the Board and Executive Officer (Deputy Head of Investment Banking, Sales & Marketing and Head of Real Estate Group Division)	Katsutoshi Shimizu	July 1, 2008
Chairman and Representative Director of the Board	Chairman of the Board	Masayuki Yasuoka	September 11, 2008

ITEM 5. 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 (the “QCFS Regulations”) (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 ended and six months ended September 30, 2008 were reviewed by Sanyu & Co. pursuant to the Japanese Financial Instruments and Exchange Law, Regulation 193-2-1.

1. CONSOLIDATED FINANCIAL STATEMENTS

(1) Consolidated Balance Sheets

	September 30, 2008		March 31, 2008	
	Amount		Amount	
	(In millions)			
ASSETS:				
Current Assets:				
Cash and deposits	(Note 3)	¥ 7,827	(Note 3)	¥ 11,652
Notes and loans receivable	(Notes 3, 4, 6, 7 and 8)	64,039	(Notes 3, 4, 6, 7 and 8)	124,545
Receivables from guarantees paid		2,618		2,043
Installment loans receivable	(Note 3)	4,531		5,522
Purchased loans receivable	(Note 3)	24,051	(Note 3)	28,777
Real estate for sale in the servicing business	(Note 3)	13,596	(Note 3)	19,145
Real estate for sale in the real estate business	(Note 3)	10,840	(Note 3)	15,902
Real estate under construction for sale in the real estate business	(Note 3)	6,609	(Note 3)	9,910
Other	(Notes 2 and 3)	6,569	(Note 2)	17,827
Allowance for loan losses		(15,338)		(18,901)
Total Current Assets		125,344		216,425
Fixed Assets:				
Tangible fixed assets	(Notes 1 and 3)	4,643	(Notes 1 and 3)	6,466
Intangible fixed assets		1,519		1,933
Investment and other assets:				
Investment securities	(Note 3)	25,478	(Note 3)	31,358
Bankrupt and delinquent loans receivable	(Note 7)	26,390	(Note 7)	16,689
Other		4,368		10,184
Allowance for loan losses		(18,321)		(10,440)
Total investment and other assets		37,916		47,791
Total Fixed Assets		44,079		56,191
Deferred Assets		323		367
Total Assets		¥169,746		¥272,983

Quarterly Financial Report

	September 30, 2008	March 31, 2008
	Amount	Amount
(In millions)		
LIABILITIES:		
Current Liabilities:		
Accounts payable	¥ 24	¥ 284
Short-term borrowings	(Notes 3 and 8) 14,846	(Notes 3 and 8) 24,944
Current portion of long-term borrowings	(Note 3) 47,311	(Note 3) 63,168
Current portion of bonds	10,250	27,530
Obligation under security buy-back agreements	(Note 3) 2,665	-
Accrued income taxes	1,259	2,529
Reserve for guarantee losses	3,276	801
Other reserves	320	751
Other	(Note 6) 6,363	(Notes 3 and 6) 8,202
Total Current Liabilities	86,319	128,213
Long-term Liabilities:		
Bonds	26,214	30,230
Long-term borrowings	(Note 3) 9,180	(Note 3) 28,426
Obligation under receivable buy-back agreements	(Note 3) 4,436	-
Reserve for losses on excess interest repayments	10,360	10,766
Reserve for losses on business of affiliated companies	3,403	5,850
Other reserves	27	324
Other	957	(Note 3) 10,340
Total Long-term Liabilities	54,579	85,938
Statutory Reserve:		
Reserve for securities transactions	-	68
Total Statutory Reserve	-	68
Total Liabilities	140,898	214,219
NET ASSETS:		
Shareholders' Equity:		
Common stock	26,289	26,289
Additional paid-in capital	30,180	30,180
(Deficit) retained earnings	(28,827)	2,080
Treasury stock	(3,893)	(3,892)
Total Shareholders' Equity	23,748	54,658
Valuation and Translation Adjustments:		
Unrealized (losses) gains on investment securities	(257)	73
Deferred gains (losses) on hedging instruments	1,606	(0)
Foreign currency translation adjustments	274	116
Total Valuation and Translation Adjustments	1,622	189
Stock Acquisition Rights	78	102
Minority Interest	3,397	3,814
Total Net Assets	28,848	58,763
Total Liabilities and Net Assets	¥169,746	¥272,983

(2) Consolidated Statements of Operations
For the Six Months Ended September 30, 2008

	Six Months Ended September 30, 2008
	Amount
	(In millions)
Operating Revenues	¥19,811
Operating Expenses	22,482
Net Operating Expenses	2,671
Selling, General and Administrative Expenses (Note 1)	18,190
Operating Losses	20,861
Other Income:	
Interest received	68
Dividends received	26
Guarantee fees received	240
Gains on foreign exchange	223
Other	76
Total Other Income	635
Other Expenses:	
Interest expenses	1,198
Equity losses on affiliates accounted for under the equity method	575
Losses on investment funds	123
Other	203
Total Other Expenses	2,101
Ordinary Losses	22,327
Special Gains:	
Gains on sales of fixed assets	2
Gains on sales of investment securities	135
Compensation income	200
Other	24
Total Special Gains	363
Special Losses:	
Losses on sales of fixed assets	7
Losses on disposal of fixed assets	11
Losses on impairment	1,069
Losses on impairment of investment securities	2,235
Losses on impairment of investment in affiliated companies	1,428
Losses on cancellation of derivative transactions	2,372
Other	1,165
Total Special Losses	8,290
Losses before Income Taxes and Minority Interest	30,254
Income Taxes:	
Current	16
Deferred	2,330
Total Income Taxes	2,347
Minority Interest in Net Losses of Subsidiaries	1,680
Net Losses	¥30,921

Quarterly Financial Report

For the Three Months Ended September 30, 2008

	Three Months Ended September 30, 2008
	Amount
	(In millions)
Operating Revenues	¥ 7,561
Operating Expenses	15,965
Net Operating Expenses	8,403
Selling, General and Administrative Expenses (Note 1)	13,493
Operating Losses	21,897
Other Income:	
Interest received	29
Dividends received	1
Guarantee fees received	87
Gains on Foreign exchange	208
Other	22
Total Other Income	350
Other Expenses:	
Interest expenses	623
Equity losses on affiliates accounted for under the equity method	509
Losses on investment funds	89
Other	165
Total Other Expenses	1,388
Ordinary Losses	22,935
Special Gains:	
Gains on sales of fixed assets	0
Gains on sales of investment securities	30
Other	29
Total Special Gains	60
Special Losses:	
Losses on sales of fixed assets	6
Losses on disposal of fixed assets	2
Losses on impairment	1,005
Losses on impairment of investment securities	2,203
Losses on impairment of investment in affiliated companies	1,428
Losses on cancellation of derivative transactions	2,372
Other	1,132
Total Special Losses	8,151
Losses before Income Taxes and Minority Interest	31,026
Income Taxes:	
Current	(87)
Deferred	2,292
Total Income Taxes	2,205
Minority Interest in Net Losses of Subsidiaries	1,760
Net Losses	¥31,470

(3) Consolidated Statement of Cash Flows

Six Months Ended September 30, 2008

	Amount
	(In millions)
Operating Activities:	
Losses before income taxes and minority interest	¥(30,254)
Depreciation and amortization	1,066
Losses on impairment	1,069
Increase in allowance for loan losses	4,325
Decrease in reserve for losses on excess interest repayments	(406)
Decrease in reserve for losses on business of affiliated companies	(2,447)
Increase in reserve for guarantee losses	2,475
Decrease in other reserves	(682)
Interest and dividends received	(195)
Interest expenses	2,534
Losses on sales and disposal of fixed assets	15
Gains on sales of investment securities	(127)
Losses on impairment of investment securities	2,235
Losses on impairment of investment in affiliated companies	1,428
Losses on impairment of real estate for sale in the servicing business	3,396
Losses on impairment of real estate for sale and real estate under construction for sale in the real estate business	8,702
Losses on cancellation of derivative transactions	2,372
Charge-offs of loans receivable	5,693
Decrease in interest receivable	320
Decrease in advanced interest received	(4)
Other	1,134
Sub-total	2,651
Proceeds from interest and dividends received	174
Interest paid	(2,382)
Income taxes paid	(941)
Sub-total	(498)
Decrease in loans receivable	50,467
Decrease in purchased loans receivable	3,375
Decrease in real estate for sale in the servicing business	2,393
Purchases of assets held for leases	(150)
Decrease in installment loans receivable	657
Increase in real estate for sale and real estate under construction for sale in the real estate business	(564)
Decrease in operational investment securities	1,100
Net cash provided by operating activities	56,781

(Continued)

Quarterly Financial Report

Six Months Ended September 30, 2008

	Amount (In millions)
(Continued)	
Investing Activities:	
Time deposits	(1,351)
Proceeds from withdrawal of time deposits	1,450
Purchases of tangible fixed assets	(35)
Proceeds from sales of tangible fixed assets	19
Purchases of intangible fixed assets	(37)
Purchases of investment securities	(2,595)
Proceeds from sales of investment securities	1,828
Proceeds from redemption of other investment in affiliated companies	1,387
Payments for loan origination	(2,000)
Proceeds from collections of loans to affiliated companies	3,721
Other	891
Net cash provided by investing activities	3,278
Financing Activities:	
Deposits of restricted cash in banks	(1,039)
Proceeds from short-term borrowings	8,350
Repayments of short-term borrowings	(18,447)
Proceeds from long-term borrowings	3,738
Repayments of long-term borrowings	(38,710)
Payments for redemption of bonds	(17,530)
Decrease in asset-backed securities	(10,185)
Increase in obligation under receivable buy-back agreements	4,436
Increase in obligation under security buy-back agreements	2,665
Proceeds from issuance of new shares by subsidiaries	1,332
Other	576
Net cash used in financing activities	(64,813)
Effect of exchange rate changes on cash and cash equivalents	5
Net decrease in cash and cash equivalents	(4,748)
Cash and cash equivalents at beginning of period	9,552
Cash and cash equivalents at end of period (Note 1)	¥ 4,804

GOING CONCERN

(July 1, 2008 ~ September 30, 2008)

For the three months ended September 30, 2008, the Group recorded operating losses of ¥21,897 million, ordinary losses of ¥22,935 million, and net losses of ¥31,470 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 requests by such financial institutions, because of acceleration clauses. These conditions raise substantial doubt concerning the Company's ability to continue as a going concern.

These losses are mainly attributable to impairment losses of real estate, additional allowance for loan losses of real estate-backed loans receivable, and additional reserve for losses on excess interest repayments as the trend of claims for excess interest repayments remains high, in addition to lower sales turnover amid a substantially depressed real estate market.

The Group will develop a rehabilitation plan for a reorganization of the Group's business structure in order to resolve this situation and will strive to effectively implement such plan.

1. Strengthening of guarantee businesses

The Group will seek to further enhance its guarantee business with the Incubator Bank of Japan, Limited and the Saikyo Bank, Ltd., and to implement a changeover to a superior profit structure through more efficiency in the use of funds including by developing new business alliances.

2. Utilization of the Group's expertise in credit management and loan servicing, and shift to businesses earning fee income

The Group will develop its businesses by fully utilizing its expertise in credit management for retail and short-term lending and in the servicing business for loans and purchased loans receivable that the Group has cultivated thus far. In addition, the Group will work to expand fee income through a shift to businesses generating fee income focusing on the guarantee and agent businesses that represent an extension of the aforementioned businesses.

Additionally, in order to support this shift in the profit structure and to improve the current financial position, the Group will seek to strengthen its liquidity and to stabilize its capital base as follows:

1. Request for support from the major shareholder, etc. and request for cooperation of capital providers

The Company has strived to reform its management structure in cooperation with TPG and investment vehicles managed by TPG (the "TPG entities"), which together are the largest shareholder group of the Company. This has been accomplished including through a bridge loan extended in December 2007 and a capital injection in February 2008 by the TPG entities. In addition, a majority of directors of the Company are seconded from TPG. The Company, which is in the midst of its management reform program, has requested support from concerned parties including the TPG entities in order to resolve financing difficulties stemming from the recent financial crisis, etc. The TPG entities have indicated that they are supportive of the Company's efforts to resolve its financial difficulties. In addition, certain of our lenders, including the Incubator Bank of Japan, have shown willingness to provide necessary financial support conditioned on the Company receiving financial support from the TPG entities. The Group will aim to stabilize its fund procurement by realizing such support.

2. Accelerated asset divestiture and group reorganization

The Group will seek to promote the disposal of equity shares and real estate holdings as well as further accelerate group restructuring, in order to secure financial resources for repayment of borrowings from our lenders and redemption of corporate bonds.

Though this shift in the profit structure and stabilization of its financial base, the Group will seek to establish a lean organizational structure with personnel commensurate with the business scale of the Group as well as to cut costs by fixed cost reductions. As a result of these efforts, the Company believes that it can effectively address the doubts relating to the Company'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.

CHANGES IN SIGNIFICANT ITEMS RELATING TO THE PREPARATION OF QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS

(April 1, 2008 ~ September 30, 2008)

1. Changes in Scope of Consolidation

Japan Incubation Fund was newly established and included in the scope of consolidation during the three months ended September 30, 2008.

4 companies, including SC-AM Co., Ltd., were excluded from the scope of consolidation as a result of the completion of liquidation during the three months ended June 30, 2008, and 2 companies, including NIS Tachikawa Co., Ltd., were excluded from the scope of consolidation as a result of the completion of liquidation during the three months ended September 30, 2008.

NIS Property Co., Ltd. was excluded from the scope of consolidation due to an absorption merger with the Company, which was a surviving company, during the three months ended September 30, 2008. NIS Securities Co., Ltd. and NIS Construction Co., Ltd. were excluded from the scope of consolidation during the same period due to sales of equity shares to outside investors.

2. Application of the Equity Method

Aprek Co., Ltd., an affiliate accounted for under the equity method, changed its company name to Credit Organization of Small and Medium-sized Enterprises Co., Ltd. on July 1, 2008.

In addition, since Credit Organization of Small and Medium-sized Enterprises changed its balance sheet date from March 31 to August 31, its accounting period was the five months ended August 31, 2008.

3. Changes in Significant Accounting Policies

(Changes in Accounting Treatment for Classification of Financial Costs into Operating Expenses and Other Expenses)

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 ¥620 million, while "Other Expenses" increased by the same amount for the six months ended September 30, 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.

SIMPLIFIED ACCOUNTING TREATMENTS

(April 1, 2008 ~ September 30, 2008)

Not applicable

PARTICULAR ACCOUNTING TREATMENTS FOR THE PREPARATION OF QUARTERLY FINANCIAL STATEMENTS

(April 1, 2008 ~ September 30, 2008)

Not applicable

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Balance Sheets

Note 1. Accumulated depreciation of tangible fixed assets as of September 30, 2008 and March 31, 2008 are ¥4,129 million and ¥3,739 million, respectively.

Note 2. Significant components of inventories included in “Other” as of September 30, 2008 and March 31, 2008 are as follows:

	September 30, 2008	March 31, 2008
	(In millions)	
Operational investment securities	¥1,105	¥2,292
Interest receivable on loans receivable	281	602
Other operating receivables	1,802	1,837
Other inventories	34	197

Note 3. Assets pledged as collateral for short and long-term borrowings as of September 30, 2008 and March 31, 2008 are as follows:

	September 30, 2008	March 31, 2008
	(In millions)	
Cash and deposits	¥3,022	¥ 2,000
Notes and loans receivable	21,019	40,408
Purchased loans receivable	8,583	8,229
Real estate for sale in the servicing business	10,495	15,213
Real estate for sale in the real estate business	10,438	11,519
Real estate under construction for sale in the real estate business	416	1,230
Buildings and structures	154	376
Land	526	1,247
Investment securities	2,819	2,619
Current assets (Other)	1,230	-
Total	¥58,707	¥82,843

Corresponding borrowings secured by the above collateral as of September 30, 2008 and March 31, 2008 are as follows:

	September 30, 2008	March 31, 2008
	(In millions)	
Short-term borrowings	¥14,304	¥13,024
Current portion of long-term borrowings	26,930	32,868
Long-term borrowings	6,321	9,470
Total	¥47,556	¥55,363

(September 30, 2008)

With respect to investment securities presented above, ¥1,500 million is pledged as collateral for guarantee transactions.

In addition to the above, the Group sold leases receivable of ¥2,099 million and installment loans receivable of ¥2,337 million to third parties in order to raise funds. However, due to reasons such as the repurchase clause in the transfer agreement, these transactions are recognized as financial transactions. Proceeds from sales of leases and installment loans receivable are recorded as “Obligation under receivable buy-back agreements.”

Furthermore, the Group sold its TMK bonds (bonds issued by *Tokutei Mokuteki Kaisha*) issued by a consolidated subsidiary and investment in *Tokumei-Kumiai* to third parties, and pledged investment in an investment fund as collateral in order to raise funds. However, since each transfer agreement includes a repurchase clause and TMK bonds and investment in *Tokumei-Kumiai* are expected to be repurchased in the short term, these transactions are recognized as financial transactions. Proceeds from sales of TMK bonds and investment in *Tokumei-Kumiai* are recorded as “Obligation under security buy-back agreement.” In addition, aforementioned TMK bonds, investment in *Tokumei-Kumiai* and investment in an investment fund were eliminated in consolidation in the amount of ¥1,500 million, ¥1,938 million and ¥1,429 million, respectively.

(March 31, 2008)

In addition to the above, the Company entrusted certain loans outstanding to a trust bank. In order to raise funds, the Company sold its senior beneficiary interest in these loans outstanding in trust to a third party. These transactions constitute a legal sale under Japanese law. However, since the Company reserves an option to repurchase the senior beneficiary interest, the Company does not recognize the extinguishment of the aforementioned interest in the consolidated financial statements herein, and the corresponding funds are recognized as long-term liability. There is no control over the interest by the Company except through the above option. Entrusted loans outstanding included in "Notes and loans receivable" and the related long-term liability recorded as "Asset-backed securities" as of March 31, 2008 are ¥23,709 million and ¥10,185 million, respectively.

Furthermore, securities received as collateral for financing from broker's own capital of ¥102 million and substitute securities for guarantee money received of ¥704 million are pledged as collateral for borrowings on margin transactions of ¥1,585 million as of March 31, 2008.

Note 4. Unsecured consumer loans included in loans receivable as of September 30, 2008 and March 31, 2008 are ¥837 million and ¥1,227 million, respectively.

Note 5. Commitments and contingencies as of September 30, 2008 and March 31, 2008 are as follows:

	September 30, 2008	March 31, 2008
	(In millions)	
Guarantees for receivables in the credit guarantee business	¥33,113	¥13,095
Guarantees for loans receivable held by affiliated companies	1,654	3,302
Guarantees for borrowings of affiliated companies	1,096	3,170

Note: "Guarantees for loans receivable held by affiliated companies" as of September 30, 2008 presented above includes guarantees for loans receivable which were transferred from an affiliated company to a third party.

With respect to ¥1,200 million of guarantees for receivables in the credit guarantee business as of September 30, 2008 presented above, Credit Organization of Small and Medium-sized Enterprises Co., Ltd. reguarantees 50% of that amount.

In addition to the above, the Company has to indemnify Credit Organization of Small and Medium-sized Enterprises until February 28, 2013, for losses that Credit Organization of Small and Medium-sized Enterprises incurs due to claims for excess interest repayments raised by customers to whom Credit Organization of Small and Medium-sized Enterprises lent money on or before March 3, 2008. Although it is difficult to estimate the amount of this liability, the Company estimates the amount of such losses as being ¥1,142 million and ¥1,266 million, which have been included in "Reserve for losses on business of affiliated companies" as of September 30, 2008 and March 31, 2008, respectively.

Note 6. Rediscounted notes as of September 30, 2008 and March 31, 2008 are ¥18 million and ¥49 million, respectively.

Note 7. Bankrupt and delinquent loans receivable as of September 30, 2008 and March 31, 2008 are classified as follows:

	September 30, 2008	March 31, 2008
	(In millions)	
Bankrupt loans receivable	¥ 5,695	¥ 1,819
Delinquent loans receivable	20,695	14,870
Delinquent loans receivable (three months or more)	-	-
Restructured loans receivable	13,281	17,267
Total	¥39,672	¥33,956

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) to (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)."

Note 8. (1) In order to raise funds efficiently, the Company entered into syndicated loan agreements, overdraft agreements, and loan commitment agreements with several banks. The unused balance of these prescribed limit agreements as of September 30, 2008 and March 31, 2008 are as follows:

	September 30, 2008	March 31, 2008
	(In millions)	
Total overdraft facilities, loan commitment limits and syndicated loan credit lines	¥ 3,500	¥ 5,200
Outstanding borrowings within the limits	(3,500)	(5,200)
Unused balance	¥ -	¥ -

(2) In providing its core business, integrated financial services, the Company contracts credit line agreements with certain customers, and these customers are able to borrow as needed within set credit lines. The unfunded credit lines as of September 30, 2008 and March 31, 2008 are as follows:

	September 30, 2008	March 31, 2008
	(In millions)	
Total amount of credit line agreements	¥ 6,070	¥ 19,499
Loans outstanding under credit line agreements	(5,617)	(18,710)
Total unfunded credit lines	¥ 452	¥ 788
Of which unfunded credit lines without loans outstanding	231	698

Certain portions of these agreements lapse without ever being used. Therefore, the amount of unfunded credit lines will not necessarily affect future cash flows of the Company.

Under these agreements, the Company also may discontinue or reduce the credit lines of customers based on the deterioration of their credit status and other substantial reasons. In addition, the Company examines the agreements regularly in order to take measures for credit preservation.

Consolidated Statements of Operations

Note 1. Significant components of “Selling, General and Administrative Expenses” for the six months and three months ended September 30, 2008 are as follows:

Six Months Ended September 30, 2008	(In millions)		Three Months Ended September 30, 2008	
Selling, General and Administrative Expenses:			Selling, General and Administrative Expenses:	
Provision for loan losses	¥7,151		Provision for loan losses	¥6,718
Provision for guarantee losses	3,224		Provision for guarantee losses	2,486
Provision for losses on excess interest repayments	1,227		Provision for losses on excess interest repayments	1,227
Depreciation and amortization	371		Depreciation and amortization	184
Salaries for directors	211		Salaries for directors	100
Salaries for employees	1,929		Salaries for employees	891
Provision for bonuses for employees	215		Taxes and duties	233
Taxes and duties	436		Lease and rental expenses	309
Lease and rental expenses	712		Commission fees	193
Commission fees	429			

Consolidated Statement of Cash Flows

Note 1. Cash and cash equivalents as of September 30, 2008 are reconciled to the accounts reported in the quarterly consolidated balance sheets as follows:

	September 30, 2008
	(In millions)
Cash and deposits	¥7,827
Restricted cash in banks pledged as collateral	(3,022)
Cash and cash equivalents	¥ 4,804

Shareholders' Equity

(September 30, 2008) and (April 1, 2008 ~ September 30, 2008)

1. Information on issued shares as of September 30, 2008 are as follows:

	September 30, 2008
Type of share	Common stock
Number of shares (thousand shares)	245,894

2. Information on shares of treasury stock as of September 30, 2008 are as follows:

	September 30, 2008
Type of share	Common stock
Number of shares (thousand shares)	6,282

3. Information on issuance of stock acquisition rights as of September 30, 2008 are as follows:

Company Name	Type of Shares		Number of Shares (Thousand shares)	Outstanding as of September 30, 2008 (In millions)
	Attributable to Stock Acquisition Rights	Attributable to Stock Acquisition Rights		
NIS Group Co., Ltd.	Common stock		8,750	¥ -
Consolidated subsidiaries	-		-	78
Total			8,750	¥78

Note: "Number of Shares Attributable to Stock Acquisition Rights" presented above is the number of exercisable shares of stock acquisition rights.

4. Dividends

Not applicable

Lease

Finance leases, except for which the ownership of the leased assets is transferred to the lessee, are accounted for in the same manner as operating leases, and there were significant changes in the outstanding balance of such leased assets as a lessor as of September 30, 2008 compared with the end of the previous fiscal year.

(Lessor)

1. Acquisition costs, accumulated depreciation and amortization, and the book value of leased assets as of September 30, 2008 are as follows:

	September 30, 2008
	(In millions)
Machinery:	
Acquisition costs	¥ 447
Accumulated depreciation	(249)
Book value	198
Equipment:	
Acquisition costs	3,606
Accumulated depreciation	(1,959)
Book value	1,647
Software:	
Acquisition costs	700
Accumulated depreciation	(354)
Book value	345
Other:	
Acquisition costs	63
Accumulated depreciation	(39)
Book value	24
Total:	
Acquisition costs	4,818
Accumulated depreciation and amortization	(2,602)
Book value	¥ 2,215

2. The amounts of outstanding future lease payments to be received as of September 30, 2008 are as follows:

	September 30, 2008
	(In millions)
Due within one year	¥1,046
Due after one year	1,402
Total	¥2,449

3. Lease revenues, depreciation and amortization expense, and interest income equivalent for the six months and three months ended September 30, 2008 are as follows:

	Six Months ended September 30, 2008	Three Months ended September 30, 2008
	(In millions)	
Lease revenues	¥721	¥353
Depreciation and amortization expense	521	255
Interest income equivalent	188	88

4. The method used to calculate interest income equivalent of leased assets is as follows:

Interest income equivalent of leased assets is calculated as the amount of total lease payments plus estimated residual value less the acquisition costs of the leased assets, with the amount allocated to each relevant accounting period using the interest method.

Investment Securities

(September 30, 2008)

Marketable securities included in other securities are an important factor in the Group's business operations, and there were significant changes in the carrying value and other amounts of such securities compared with the end of the previous fiscal year.

Marketable securities included in other securities as of September 30, 2008 are as follows:

	September 30, 2008		Difference
	Cost	Carrying Value (In millions)	
Equity securities	¥1,107	¥1,043	¥(63)
Total	¥1,107	¥1,043	¥(63)

Derivative Transactions

(September 30, 2008)

The Group does not utilize derivative transactions.

During the three months ended September 30, 2008, the Group cancelled derivative transactions which had been utilized as hedge instruments and terminated adoption of hedge accounting. Accordingly, gains and losses of the hedge instruments at the time of termination will be deferred until gains and losses of the hedge items are recognized.

Business Combinations

(July 1, 2008 ~ September 30, 2008)

Transactions under Common Control by the Company

1. Name of the company concerned and description of its business, legal form of the business combination, name of the company after the business combination, and summary of the transaction including its purpose are as follows:

(1) Name of the company concerned and description of its businesses

Name: NIS Property Co., Ltd.
Business description: Real estate transaction, real estate development and asset management

(2) Legal form of the business combination

An absorption merger with the Company as the surviving company and NIS Property as the dissolved company.

(3) Name of the company after the business combination

NIS Group Co., Ltd.

(4) Summary of the transaction including its purpose

The Group focuses on the real estate-related business primarily through NIS Property, which engages in the principal investment business in Japanese real estate market. This merger aims to further increase operational efficiency through group reorganization.

2. Summary of Accounting Treatments

A transaction under common control in accordance with “Accounting Standards for Business Combinations” issued by the Business Accounting Council on October 31, 2003 and the Accounting Standards Board Guidance No. 10 “Guidance on Accounting Standards for Business Combinations and Accounting Standards for Business Divestitures” issued by the Accounting Standards Board of Japan as last amended on November 15, 2007.

Segment Information

1. Business Segment Information

Business segment information for the three months and six months ended September 30, 2008 is as follows:

	Three Months Ended September 30, 2008						
	Integrated Financial Services	Servicing Business	Real Estate Business	Other Businesses	Total	Eliminations	Consolidated
	(In millions)						
Operating revenues:							
(1) Operating revenues from third parties	¥4,229	¥2,665	¥ 369	¥296	¥ 7,561	¥ -	¥7,561
(2) Operating revenues from inter-segment sales or transfers	194	-	173	0	367	(367)	-
Total operating revenues	4,423	2,665	543	296	7,928	(367)	7,561
Operating losses	¥9,007	¥4,131	¥10,448	¥ 61	¥23,647	¥1,750	¥21,897

	Six Months Ended September 30, 2008						
	Integrated Financial Services	Servicing Business	Real Estate Business	Other Businesses	Total	Eliminations	Consolidated
	(In millions)						
Operating revenues:							
(1) Operating revenues from third parties	¥9,653	¥8,292	¥1,520	¥344	¥19,811	¥ -	¥19,811
(2) Operating revenues from inter-segment sales or transfers	387	-	173	0	561	(561)	-
Total operating revenues	10,041	8,292	1,693	345	20,372	(561)	19,811
Operating losses	¥9,213	¥3,389	¥9,796	¥117	¥22,516	¥1,654	¥20,861

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 "CHANGES IN SIGNIFICANT ITEMS RELATING TO THE PREPARATION OF QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS," 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.

As a result of this change, compared with the results under the previous treatment, "Operating losses" decreased by ¥529 million in "Integrated Financial Services" for the six months ended September 30, 2008.

2. Geographical Segment Information

Geographical segment information is omitted for the three months and six months ended September 30, 2008, as domestic operating revenues accounted for more than 90% of total operating revenues for all segments during the respective period.

3. Overseas Operating Revenues

Information on overseas operating revenues is omitted for the three months and six months ended September 30, 2008 as overseas operating revenues accounted for less than 10% of total operating revenues during the respective period.

Per Share Data

1. Net assets per share

	September 30, 2008	March 31, 2008
	(In yen)	
Consolidated:		
Net assets per share	¥105.89	¥228.89

Note: The basis for the calculation of net assets per share presented above is as follows:

	September 30, 2008	March 31, 2008
	(In millions)	
Total net assets on the consolidated balance sheets	¥28,848	¥58,763
Net assets attributable to common stock	25,371	54,847
Differences between net assets and net assets attributable to common stock:		
Stock acquisition rights	78	102
Minority interest	3,397	3,814

	September 30, 2008	March 31, 2008
	(Thousand shares)	
Number of issued shares	245,894	245,894
Number of shares of treasury stock	6,282	6,276
Number of shares for the calculation of net assets per share	239,611	239,617

2. Basic and diluted net income per share

	Six Months Ended September 30, 2008	Three Months Ended September 30, 2008
	(In yen)	
Consolidated:		
Net losses per share:		
Basic	¥129.05	¥131.34
Diluted	-	-

Notes: 1. Diluted net income per share was not presented because of net losses per share.

2. The basis for the calculation of net losses per share presented above is as follows:

	Six Months Ended September 30, 2008	Three Months Ended September 30, 2008
	(In millions except shares)	
Net losses on the consolidated statement of operations	¥30,921	¥31,470
Net losses attributable to common stock	30,921	31,470
Amounts not attributable to common shareholders	-	-
Weighted-average number of outstanding shares (thousand shares)	239,614	239,612
Summary of significant changes from the end of the previous fiscal year, if any, in shares without dilutive effect which were not reflected in the calculation of diluted net income per share:	-	-

Significant Subsequent Events

(July 1, 2008 ~ September 30, 2008)

The Company previously held a 50% equity stake in Nissin Leasing (China) Co., Ltd., an affiliate accounted for under the equity method, through special purpose companies. However, on October 30, 2008, the Company sold 10% of its stake to an investment vehicle managed by TPG for \$20 million in order to raise funds.

Nissin Leasing (China) operates in integrated financial services in China, and the Company's stake after the sale is 40%.

In addition, losses on the sale of ¥368 million will be recorded as special losses for the three months ended December 31, 2008.

2. OTHER

None

SECOND SECTION: GUARANTOR COMPANY OF THE COMPANY

None

Quarterly Review Report of Independent Certified Public Accountants

November 13, 2008

Board of Directors of
NIS GROUP CO., LTD.

Sanyu & Co.

Representative Partner, Engagement Partner: Keisuke Takase
Engagement Partner: Kouta Yamamoto

Pursuant to Article 193-2-1 of the Financial Instruments and Exchange Law, we have reviewed the consolidated balance sheet, the consolidated statements of income and cash flows of NIS GROUP CO., LTD. included in "FINANCIAL STATEMENTS" as of and for the three months and six months ended September 30, 2008. These financial statements are the responsibility of the management. Our responsibility is to express conclusion on these financial statements based on our review from an independent point of view.

We conducted our review in accordance with quarterly review standards generally accepted in Japan. A quarterly review consists principally of inquiries of the management and persons in charge of finance and accounting, analytical procedures and other quarterly review procedures. It is substantially less in scope than an audit in accordance with auditing standards generally accepted in Japan.

Based on our review, we are not aware of any material modifications that should be made to the consolidated financial position of NIS Group Co., Ltd. and its consolidated subsidiaries as of September 30, 2008 and consolidated results of their operations and their cash flows for the three months and six months then ended in order for them to be in conformity with quarterly review standards generally accepted in Japan.

Additional information:

1. As discussed in "Going Concern," the Company had significant operating losses, ordinary losses and net losses for the three months ended September 30, 2008. At the same time, loan covenants have been breached. These conditions raise substantial doubt concerning the Company's ability to continue as a going concern. Management's plans in respond to these conditions are described in the corresponding section. The quarterly financial statements have been prepared on a going-concern basis and reflect no material doubt in these respects.
2. As discussed in "CHANGES IN SIGNIFICANT ITEMS RELATING TO THE PREPARATION OF QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS," the Company changed its accounting treatment for classification of financial costs as "Operating Expenses" and "Other Expenses" beginning from the three months ended June 30, 2008.
3. As discussed in "Significant Subsequent Events," on October 30, 2008, the Company sold a part of its equity stake in an affiliate accounted for under the equity method.

We have no interest in NIS GROUP CO., LTD. and its consolidated subsidiaries, which should be disclosed pursuant to the provision of the Certified Public Accountants Law.

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 14, 2008

Company name: NIS GROUP CO., LTD.

Representative: Kunihiko Sakioka
President, Representative Director of the Board and CEO

Chief Financial Officer: Akihiro Nojiri
Senior Executive Director of the Board, Executive Officer and
Head of Strategy & Operations Control

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.
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Research Department, NIS Group Co., Ltd.
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Nagoya Sales Section 1, Sales Control 2nd Department, NIS Group Co., Ltd.
(20-25, Nishiki 1-chome, Naka-ku, Nagoya City)

Osaka Sales Section 1, Sales Control 2nd Department, NIS Group Co., Ltd.
(4-26, Minami-Senba 3-chome, Chuo-ku, Osaka City)

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 QUARTERLY FINANCIAL REPORT

Kunihiko Sakioka, President, Representative Director of the Board and the Chief Executive Officer, and Akihiro Nojiri, the Chief Financial Officer, each hereby certifies that the contents of the Quarterly Financial Report for the three months ended September 30, 2008 fairly present the information therein in conformity with the regulations of the Japanese Financial Instruments and Exchange Law.

2. SPECIAL NOTES

None