

Quarterly Financial Report

(Japanese GAAP)

This report is an English translation of “Shihanki-Houkokusho” as of and for the three months ended December 31, 2008, filed through the Electronic Disclosure for Investors’ Network (EDINET) in Japan, pursuant to the Japanese Financial Instruments and Exchange Law, Regulation Section 27-30 Paragraph 2.

Quarterly Financial Report

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Representative: Masayuki Yasuoka
Chairman and Representative Director of the Board

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Tokyo Stock Exchange, Inc.
(2-1, Nihonbashi Kabuto-cho, Chuo-ku, Tokyo)

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

	Nine Months Ended / As of December 31, 2008	Three Months Ended / As of December 31, 2008	Year Ended / As of March 31, 2008
(In millions except percentages, per share data and number of employees)			
Consolidated Financial Data:			
Operating revenues	¥ 26,116	¥ 6,305	¥ 83,027
Ordinary losses	27,534	5,325	17,438
Net losses	45,195	14,274	45,116
Net assets	-	12,348	58,763
Total assets	-	119,937	272,983
Net assets per share (in yen)	-	45.45	228.89
Net losses per share (in yen):			
Basic	188.62	59.57	289.06
Diluted	-	-	-
Net worth ratio (%)	-	9.1	20.1
Net cash provided by operating activities	62,756	-	68,045
Net cash (used in) provided by investing activities	(2,936)	-	8,104
Net cash used in financing activities	(66,752)	-	(92,168)
Cash and cash equivalents at end of period	-	2,605	9,552
Number of employees (persons)	-	382	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 the 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 December 31, 2008.

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

Nissin Servicer Co., Ltd., which engages in the servicing business, became an affiliate accounted for under the equity method as of December 31, 2008, because the Company sold a part of its shares.

3. OVERVIEW OF SUBSIDIARIES AND AFFILIATES

Changes in significant subsidiaries and affiliates during the three months ended December 31, 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 IV ²	Chiyoda-ku, Tokyo	3,725	Servicing Business	51.7%	-

Notes: 1. “Main Business” refers to the business segment.

2. The company is a “specified subsidiary” under Japanese law.

(2) Changes from Subsidiaries to Affiliates

Nissin Servicer Co., Ltd. became an affiliate accounted for under the equity method, due to a decrease in the Company’s voting rights as a result of the sales of its ownership shares.

(3) Excluded

19 consolidated subsidiaries, including J1 Investments Co., Ltd., and Japan Incubation Fund IV, were excluded from the scope of consolidation and 8 affiliates accounted for under the equity method, including STRATEK K.K., were excluded from the application of the equity method, because Nissin Servicer Co., Ltd. became an affiliate accounted for under the equity method.

Araigumi Co., Ltd., an affiliate accounted for under the equity method, was excluded from the application of the equity method, because the Company sold its shares to outside investors.

In addition, 6 affiliates accounted for under the equity method, including Nissin Leasing (China) Co., Ltd., of which the Company and investment vehicles managed by TPG had jointly held ownership, were excluded from the application of the equity method, because TPG exercised a right to covert its preferred units that could increase its ownership interest.

4. EMPLOYEES

(1) Employees of the Group

	December 31, 2008
	(Persons)
Number of Employees	382

Notes: 1. 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. The number of employees decreased by 216 persons, or 36.1%, for the three months ended December 31, 2008, mainly due to an increase in the number of employees seconded to third parties from the Company and an exclusion of Nissin Servicer Co., Ltd. from the scope of consolidation.

(2) Employees of the Company

	December 31, 2008
	(Persons)
Number of Employees	322

- Notes: 1. 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.
2. The number of employees decreased by 128 persons, or 28.4%, for the three months ended December 31, 2008, mainly due to an increase in the number of employees seconded to third parties.

ITEM 2. OVERVIEW OF BUSINESS

1. OPERATING RESULTS

(1) Operating Results of the Group

1) Operating Revenues by Business Segment

	Nine Months Ended December 31, 2008		Three Months Ended December 31, 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	¥ 2,092	8.0%	¥ 475	7.5%
SME loans	2,247	8.6	230	3.7
Discount notes	2	0.0	0	0.0
Consumer loans	1,875	7.2	471	7.5
Total	6,218	23.8	1,177	18.7
Fees received	121	0.5	8	0.1
Guarantee fees received	1,603	6.1	678	10.8
Revenue from leases and installment loans receivable	2,832	10.8	891	14.1
Other	2,686	10.3	1,053	16.7
Total	7,244	27.7	2,631	41.7
Sub-total	13,462	51.5	3,809	60.4
Servicing Business:				
Revenue from collections of purchased loans receivable	6,410	24.5	1,603	25.4
Revenue from sales of real estate	2,506	9.6	22	0.4
Other	1,279	4.9	277	4.4
Sub-total	10,196	39.0	1,904	30.2
Real Estate Business:				
Revenue from sales of real estate	979	3.7	149	2.4
Other	1,050	4.1	359	5.7
Sub-total	2,029	7.8	509	8.1
Other Businesses:				
Other	428	1.7	83	1.3
Total	¥26,116	100.0%	¥6,305	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

	December 31, 2008	
	Amount	Percentage of Total
	(In millions except percentages)	
Integrated Financial Services:		
Notes and loans receivable:		
Secured Loans	¥26,279	32.3%
SME loans	13,748	16.9
Discount notes	13	0.0
Consumer loans	12,797	15.7
Total	52,839	64.9
Compensation of loans receivable	3,307	4.1
Assets held for finance leases, of which ownership is non-transferable:		
Machinery	169	0.2
Equipment	1,439	1.8
Software	306	0.4
Other	21	0.0
Total	1,936	2.4
Assets held for operating leases	1,403	1.7
Installment loans receivable	2,725	3.3
Other	1,857	2.3
Sub-total	64,069	78.7
Servicing Business:		
Purchased loans receivable	26	0.0
Real estate for sale	-	-
Sub-total	26	0.0
Real Estate Business:		
Real estate for sale	10,746	13.2
Real estate under construction for sale	6,609	8.1
Sub-total	17,355	21.3
Total	¥81,451	100.0%

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

2. In addition to those presented above, the amount of loans and accounts receivable of other companies that the Group guarantees in connection with the credit guarantee business in the integrated financial services segment is as follows:

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

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.

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

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

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

With regard to the financial results for the three months ended December 31, 2008, total operating revenues were ¥6,305 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 the Japanese real estate markets.

Operating losses were ¥6,935 million. This is mainly attributable to an additional allowance of ¥2,567 million for loan losses of real estate-backed loans receivable, reflecting a spate of business failures in the Japanese real estate market.

Ordinary losses were ¥5,325 million. This is mainly attributable to gains on foreign exchange of ¥2,763 million incurred as other income, offset by interest expenses of ¥671 million and equity in losses of affiliates accounted for under the equity method of ¥479 million incurred as other expenses.

Net losses for the three months ended December 31, 2008 were ¥14,274 million. This is mainly attributable to losses of ¥8,809 million on exercise of convertible preferred interest by TPG and losses on impairment of investment securities of ¥1,260 million reflecting a decline in the market price of securities held, incurred as special losses, partially offset by compensation income of ¥2,387 million, incurred as special gains, due to cancellation of the strategic investment and business alliance with TPG.

Operating results by business segment are described below:

1) Integrated Financial Services

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

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

Operating revenues from integrated financial services were ¥3,809 million and operating losses were ¥6,218 million for the three months ended December 31, 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 ¥1,904 million and operating losses were ¥677 million for the three months ended December 31, 2008.

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

3) Real Estate Business

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

Operating revenues from the real estate business were ¥509 million and operating losses were ¥349 million for the three months ended December 31, 2008.

4) Other Businesses

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

Operating revenues from other businesses were ¥83 million and operating losses were ¥14 million for the three months ended December 31, 2008.

(2) Analysis of Consolidated Financial Position

As of December 31, 2008, total assets were ¥119,937 million, a decrease of ¥49,808 million, compared with the end of the six months ended September 30, 2008. This is mainly attributable to a decrease of ¥11,199 million in notes and loans receivable, ¥24,024 million in purchased loans receivable, ¥13,690 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 ¥14,249 million in investment securities, compared with the end of the six months ended September 30, 2008, respectively, offset by an increase of ¥12,490 million in short-term loans to affiliated companies.

As of December 31, 2008, total liabilities were ¥107,589 million, a decrease of ¥33,308 million, compared with the end of the six months ended September 30, 2008. This is mainly attributable to a decrease of ¥30,114 million in total interest-bearing debt due to a decrease in operating assets, compared with the end of the six months ended September 30, 2008.

As of December 31, 2008, net assets were ¥12,348 million, a decrease of ¥16,499 million, compared with the end of the six months ended September 30, 2008. This is attributable to a decrease of ¥14,274 million in retained earnings because of net losses for the three months ended December 31, 2008.

(3) Cash Flows

As of December 31, 2008, cash and cash equivalents ("Cash") were ¥2,605 million, a decrease of ¥2,199 million, compared with the end of the six months ended September 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 December 31, 2008 was ¥5,975 million.

Cash provided during the three months ended December 31, 2008 mainly comprised ¥2,634 million in net increase in allowance for loan losses, ¥8,809 million in losses on exercise of preferred convertible interest, ¥2,706 million in charge-offs of loans receivable, ¥5,730 million provided by net collection of loans receivable, ¥1,176 million provided by net collection of purchased loans receivable, offset by ¥14,654 million in losses before income taxes and minority interest.

(Cash Flows from Investing Activities)

Net Cash used in investing activities for the three months ended December 31, 2008 was ¥6,214 million.

Cash used during the three months ended December 31, 2008 mainly comprised ¥2,054 million used in net acquisition and sales of investment securities and ¥4,650 million used in payments for loan origination.

(Cash Flows from Financing Activities)

Net Cash used in financing activities for the three months ended December 31, 2008 was ¥1,939 million.

Cash used during the three months ended December 31, 2008 mainly comprised ¥6,716 million used in net repayments of interest-bearing debt, while ¥2,130 million provided by proceeds from withdrawal of restricted cash in banks and ¥1,898 million provided by proceeds from issuance of new shares to minority interest.

(4) Challenges for the Group

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

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

1. Reorganization of the Group's business structure

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

2. Stabilization of the Group's capital base

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

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

3. Establishment of a lean organizational structure

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

(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 in 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 December 31, 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 September 30, 2008, were completed during the three months ended December 31, 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)	¥4	December 2008

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

After the review of the installation of equipment at Tokyo Head Office of ¥252 million and relocation and renovation of branches and loan offices of ¥16 million, which were planned as of September 30, 2008, these plans for relocations and acquisitions have been changed or terminated.

In addition, there were no significant plans for relocations and acquisitions of major property and equipment newly determined during the three months ended December 31, 2008.

2) Assets Held for Leases

There was no completion of acquisition of assets held for leases, which were planned as of September 30, 2008, during the three months ended December 31, 2008.

In addition, after the review of acquisition of assets held for leases of ¥2,136 million which was planned as of September 30, 2008, these plans for acquisition has been changed or terminated.

(2) Disposals of Major Property and Equipment

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

In addition, there were no significant plans for disposals of major property and equipment newly determined during the three months ended December 31, 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	December 31, 2008 (Shares)	February 13, 2009 (Filing Date) (Shares)	Stock Exchange	Details
Common stock	245,894,350	245,894,350	Tokyo Stock Exchange (First Section)	Each unit under the Japanese Unit Share System equals 100 shares of common stock.
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 February 1, 2009 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)

	December 31, 2008
Number of stock acquisition rights:	2,000 units
Number of stock acquisition rights for share repurchases:	-
Type of shares:	Common stock Each unit under the Japanese Unit Share System equals 100 shares of common stock.
Number of shares of common stock issuable upon exercise:	40,000 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:

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

Stock Acquisition Rights Issued under the Corporate Law of Japan

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

December 31, 2008

Number of stock acquisition rights:	87,500 units
Number of stock acquisition rights for share repurchases:	87,500 units
Type of shares:	Common stock Each unit under the Japanese Unit Share System equals 100 shares of 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:
	$\text{Adjusted Exercise Price} = \frac{\text{Exercise Price in effect at the opening of business on the day following the day upon which such stock split or consolidation becomes effective} \times \text{The number of shares of Common Stock Outstanding immediately before such split or consolidation}}{\text{The number of shares of Common Stock Outstanding immediately after such split or consolidation}}$

December 31, 2008

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:

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

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:

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

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).

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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.

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- (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:

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

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:

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

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:

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

$$\text{Fair market value of the aggregate consideration payable to stockholders based on the acceptance of the Purchased Shares} + \text{Number of shares of Common Stock Outstanding (less any Purchased Shares) at the Expiration Time} \times \text{Current Market Price of the Common Stock on the Trading Day next succeeding the Expiration Time}$$

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.

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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 paragraphs (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 paragraphs (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 paragraphs (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:

From February 20, 2008 to February 20, 2015, 5.00 p.m.

Exercise price:

¥200 per share

Amount to be credited to common stock:

¥100 per share

Requirement for exercise of stock acquisition rights:

Each Equity Warrant shall be exercisable only in whole and not in part.

Transfer restrictions:

The acquisition of the Equity Warrants through assignment shall not require approval by resolution of the Company's board of directors.

Substitution for cash payment:

-

Restriction on issuance in connection with organizational restructuring:

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.

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- (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 paragraphs (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

(4) Changes in the Number of Issued Shares and Balance of Paid-in Capital

Date	Change in Issued Shares of Common Stock	Balance of Issued Shares of Common Stock	Change in Common Stock	Balance of Common Stock	Change in Additional Paid-in Capital	Balance of Additional Paid-in Capital
(In millions except thousand shares)						
December 31, 2008	-	245,894	¥-	¥26,289	¥-	¥28,586

(5) Major Shareholders

- 1) According to the Amendment Report on Large Shareholding submitted on December 26, 2008, TPG Izumi, L.P. and two other entities jointly owned shares of the Company as of December 25, 2008. However, the exact number of shares owned by these entities as of December 31, 2008 could not be confirmed.

The information of these entities in the Amendment Report on Large Shareholding is as follows:

Name	Address	December 25, 2008	
		Number of Shares Owned (Thousand shares)	Percentage of Total Issued Shares
TPG Izumi, L.P.	Maples Corporate Services Limited P.O. Box 309, Ugland House, Grand Cayman KY1-1104 Cayman Islands	15,081	6.13%
TPG Izumi AIV 1, L.P.	Corporation Trust Center 1209 Orange Street, Wilmington County of New Castle, Delaware 19801 U.S.A.	1,151	0.47
TPG Izumi AIV 6, L.P.	Corporation Trust Center 1209 Orange Street, Wilmington County of New Castle, Delaware 19801 U.S.A.	4,180	1.70
Total	-	20,413	8.30%

- 2) According to the Reports on Large Shareholding submitted by each of the following companies on December 26, 2008, they owned shares of the Company as of December 25, 2008. However, the exact number of shares owned by them as of December 31, 2008 could not be confirmed.

The information of these companies in the Reports on Large Shareholding is as follows:

Name	Address	December 25, 2008	
		Number of Shares Owned (Thousand shares)	Percentage of Total Issued Shares
Chusho-Kigyo Hosho Kiko Co., Ltd.	4-16, Kyomachibori 1-chome, Nisi-ku, Osaka City	19,899	8.09%
Support Organization of Small and Medium-sized Enterprises Co., Ltd.	3-7, Iidabashi 1-chome, Chiyoda-ku, Tokyo	19,896	8.09%
Chusho-Kigyo Jinzai Kiko Co., Ltd.	4-16, Kyomachi-bori 1-chome, Nisi-ku, Osaka City	19,896	8.09%
BB Net Corp.	1-3, Kamiyama-cho, Kita-ku, Osaka City	19,896	8.09%

(6) Voting Rights of Capital Stock

The following information on voting rights of capital stock is based on the list of shareholders on September 30, 2008, which is the most recent record date for the determination of shareholders, since the Company could not recognize beneficial shareholders as of December 31, 2008.

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			
		Under the Company's Name	Under Other Names	Total Number of Shares	Percentage of Total Issued Shares
(Treasury stock) NIS Group Co., Ltd.	7-6, Chifune-machi 5-chome, 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 Nine Months Ended December 31, 2008

	April 2008	May 2008	June 2008	July 2008	August 2008	September 2008	October 2008	November 2008	December 2008
	(In yen)								
Highest	¥220	¥244	¥210	¥186	¥181	¥138	¥116	¥51	¥65
Lowest	151	193	155	155	128	99	29	38	33

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
Director of the Board	-	Steven Schneider	December 25, 2008
Director of the Board	-	Jun Tsusaka	December 25, 2008
Director of the Board	-	Akio Ishida	December 25, 2008
Director of the Board	-	Nobuhiko Ito	December 25, 2008
Director of the Board	-	Carlos Aquino	December 25, 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, Real Estate Division Manager and General Manager of Real Estate Department)	Executive Director of the Board and Executive Officer (Deputy Head of Investment Banking, Sales & Marketing and Real Estate Division Manager)	Katsutoshi Shimizu	July 1, 2008
Chairman and Representative Director of the Board	Chairman of the Board	Masayuki Yasuoka	September 11, 2008
Vice-Chairman and Representative Director of the Board	President, Representative Director of the Board and CEO	Kunihiko Sakioka	January 13, 2009
Director of the Board and Executive Vice-President (Head of Investment Banking, Sales & Marketing)	Senior Executive Director of the Board and Executive Officer (Head of Investment Banking, Sales & Marketing)	Toshioki Otani	January 13, 2009
Director of the Board and Senior Managing Executive Officer (Head of Strategy & Operations Control)	Senior Executive Director of the Board and Executive Officer (Head of Strategy & Operations Control)	Akihiro Nojiri	January 13, 2009
Director of the Board and Managing Executive Officer (Deputy Head of Investment Banking, Sales & Marketing, Real Estate Division Manager and General Manager of Real Estate Department)	Executive Director of the Board and Executive Officer (Deputy Head of Investment Banking, Sales & Marketing, Real Estate Division Manager and General Manager of Real Estate Department)	Katsutoshi Shimizu	January 13, 2009

In addition, at the meeting of the Company's Board of Directors held on January 13, 2009, Mr. Takumi Kawamura, who is President and Representative Director of Chusho-Kigyo Hosho Kiko Co., Ltd., was appointed as the new president of the Company.

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 nine months ended December 31, 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

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

Quarterly Financial Report

	December 31, 2008	(Summary) March 31, 2008
	Amount	Amount
(In millions)		
LIABILITIES:		
Current Liabilities:		
Accounts payable	¥ 9	¥ 284
Short-term borrowings	(Notes 3 and 6) 8,145	(Notes 3 and 6) 24,944
Current portion of long-term borrowings	(Note 3) 27,428	(Note 3) 63,168
Current portion of bonds	9,950	27,530
Obligation under receivable buy-back agreements	(Note 3) 4,817	-
Obligation under security buy-back agreements	(Note 3) 4,900	-
Accrued income taxes	1,160	2,529
Reserve for guarantee losses	3,129	801
Other reserves	556	751
Other	3,458	(Notes 3 and 5) 8,202
Total Current Liabilities	63,554	128,213
Long-term Liabilities:		
Bonds	23,206	30,230
Long-term borrowings	(Note 3) 2,608	(Note 3) 28,426
Obligation under receivable buy-back agreements	(Note 3) 3,734	-
Reserve for losses on excess interest repayments	10,180	10,766
Reserve for losses on business of affiliated companies	3,401	5,850
Other reserves	27	324
Other	877	(Note 3) 10,340
Total Long-term Liabilities	44,035	85,938
Statutory Reserve:		
Reserve for securities transactions	-	68
Total Statutory Reserve	-	68
Total Liabilities	107,589	214,219
NET ASSETS:		
Shareholders' Equity:		
Common stock	26,289	26,289
Additional paid-in capital	30,180	30,180
(Deficit) retained earnings	(43,101)	2,080
Treasury stock	(3,893)	(3,892)
Total Shareholders' Equity	9,474	54,658
Valuation and Translation Adjustments:		
Unrealized (losses) gains on investment securities	(79)	73
Deferred gains (losses) on hedging instruments	1,496	(0)
Foreign currency translation adjustments	-	116
Total Valuation and Translation Adjustments	1,416	189
Stock Acquisition Rights	-	102
Minority Interest	1,457	3,814
Total Net Assets	12,348	58,763
Total Liabilities and Net Assets	¥119,937	¥272,983

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

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

Quarterly Financial Report

For the Three Months Ended December 31, 2008

	Three Months Ended December 31, 2008
	Amount
	(In millions)
Operating Revenues	¥ 6,305
Operating Expenses	3,679
Net Operating Revenues	2,626
Selling, General and Administrative Expenses	(Note 1) 9,561
Operating Losses	6,935
Other Income:	
Interest received	31
Dividends received	1
Guarantee fees received	89
Gains on Foreign exchange	2,763
Other	40
Total Other Income	2,926
Other Expenses:	
Interest expenses	671
Equity in losses of affiliates accounted for under the equity method	479
Losses on investment funds	71
Other	94
Total Other Expenses	1,317
Ordinary Losses	5,325
Special Gains:	
Gains on sales of fixed assets	0
Gains on sales of investment securities	8
Compensation income	2,387
Other	12
Total Special Gains	2,408
Special Losses:	
Losses on disposal of fixed assets	5
Losses on impairment	802
Losses on impairment of investment securities	1,260
Losses on impairment of investments in affiliated companies	57
Losses on exercise of convertible preferred interest	8,809
Other	801
Total Special Losses	11,737
Losses before Income Taxes and Minority Interest	14,654
Income Taxes:	
Current	32
Deferred	4
Total Income Taxes	37
Minority Interest in Net Losses of Subsidiaries	417
Net Losses	¥14,274

(3) Consolidated Statement of Cash Flows

Nine Months Ended December 31, 2008

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

(Continued)

Quarterly Financial Report

Nine Months Ended December 31, 2008

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

GOING CONCERN

(October 1, 2008 ~ December 31, 2008)

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

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

1. Reorganization of the Group's business structure

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

2. Stabilization of the Group's capital base

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

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

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

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

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

3. Establishment of a lean organizational structure

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

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

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

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

(April 1, 2008 ~ December 31, 2008)

1. Changes in Scope of Consolidation

During the three months ended June 30, 2008, four 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 September 30, 2008, Japan Incubation Fund was newly established and included in the scope of consolidation. In addition, NIS Property Co., Ltd. was excluded from the scope of consolidation due to an absorption merger with the Company as a surviving company, NIS Securities Co., Ltd. and NIS Construction Co., Ltd. were excluded from the scope of consolidation due to sales of equity shares to outside investors, and two 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 December 31, 2008, Japan Incubation Fund IV was newly established and included in the scope of consolidation. In addition, four companies, including NIS Retail One Co., Ltd., were excluded from the scope of consolidation as a result of the completion of liquidation, Nissin Servicer Co., Ltd. was excluded from the scope of consolidation due to sales of equity shares to outside investors, and 19 companies, including JI Investments Co., Ltd. and Japan Incubation Fund IV, were excluded from the scope of consolidation due to a decrease in the Company's voting rights as a result of sales of its shares in Nissin Servicer.

2. Application of the Equity Method

During the three months ended December 31, 2008, one investment business association became an affiliate accounted for under the equity method through new establishment and Nissin Servicer Co., Ltd., a former consolidated subsidiary, became an affiliate accounted for under the equity method due to a decrease in the Company's voting rights as a result of sales of its shares. In addition, Araigumi Co., Ltd. was excluded from the application of the equity method due to sales of equity shares, six companies, including Nissin Leasing (China) Co., Ltd., were excluded from the application of the equity method due to a decrease in the Company's ownership interest as a result of an exercise of conversion rights by joint investors, and eight companies, including STRATEK K.K., were excluded from the application of the equity method due to a decrease in the Company's voting rights as a result of sales of its shares in Nissin Servicer.

Aprek Co., Ltd. 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, the accounting period for the application of the equity method for the nine months ended December 31, 2008 was the eight months from April 1, 2008 to November 30, 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 ¥961 million, while "Other Expenses" increased by the same amount for the nine months ended December 31, 2008. However, there was no effect on "Ordinary Losses" and "Losses before Income Taxes and Minority Interest."

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

SIMPLIFIED ACCOUNTING TREATMENTS

(April 1, 2008 ~ December 31, 2008)

Not applicable

PARTICULAR ACCOUNTING TREATMENTS FOR THE PREPARATION OF QUARTERLY FINANCIAL STATEMENTS

(April 1, 2008 ~ December 31, 2008)

Not applicable

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Balance Sheets

Note 1. Accumulated depreciation of tangible fixed assets as of December 31, 2008 and March 31, 2008 are ¥4,226 million and ¥3,739 million, respectively.

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

	December 31, 2008	March 31, 2008
	(In millions)	
Purchased loans receivable	¥ 26	¥28,777
Real estate for sale in the servicing business	-	19,145
Operational investment securities	1,000	2,292
Interest receivable on loans receivable	313	602
Other operating receivables	627	1,837
Other inventories	8	197

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

	December 31, 2008	March 31, 2008
	(In millions)	
Cash and deposits	¥ 1,288	¥ 2,000
Notes and loans receivable	20,528	40,408
Real estate for sale in the real estate business	10,746	11,519
Real estate under construction for sale in the real estate business	416	1,230
Buildings and structures	150	376
Land	526	1,247
Investment securities	3,059	2,619
Current assets (Other)	-	23,442
Fixed assets (Other)	4,000	-
Total	¥40,715	¥82,843

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

	December 31, 2008	March 31, 2008
	(In millions)	
Short-term borrowings	¥ 7,645	¥13,024
Current portion of long-term borrowings	17,172	32,868
Long-term borrowings	1,646	9,470
Total	¥26,464	¥55,363

(December 31, 2008)

With respect to real estate for sale in the real estate business and investment securities presented above, ¥402 million and ¥1,500 million are pledged, respectively, as comprehensive collateral for borrowings and guarantee transactions. The Group pledged its TMK bonds (bonds issued by *Tokutei Mokuteki Kaisha*) of ¥2,000 million issued by a consolidated subsidiary and investment in an affiliated company of ¥3 million, both of which were eliminated in consolidation.

The Group also pledged loans receivable of ¥1,007 million, in addition to the above assets, for borrowings of an affiliated company.

Furthermore, the Group sold short-term loans to affiliated companies of ¥4,817 million, leases receivable of ¥1,786 million and installment loans receivable of ¥1,947 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 these assets are recorded as “Obligation under receivable buy-back agreements.”

In addition to the above, the Group sold its TMK bonds issued by a consolidated subsidiary, and pledged investment in an investment fund as collateral in order to raise funds. However, since the transfer agreement includes a repurchase clause and the TMK bonds are expected to be repurchased in the short term, this transaction is recognized as a financial transaction. Proceeds from sales of TMK bonds are recorded as “Obligation under security buy-back agreement.” In addition, the aforementioned TMK bonds and investment in an investment fund were eliminated in consolidation in the amount of ¥4,900 million and ¥1,173 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. Commitments and contingencies as of December 31, 2008 and March 31, 2008 are as follows:

	December 31, 2008	March 31, 2008
	(In millions)	
Guarantees for receivables in the credit guarantee business	¥30,261	¥13,095
Guarantees for loans receivable held by affiliated companies	889	3,302
Guarantees for borrowings of affiliated companies	1,112	3,170

Note: "Guarantees for loans receivable held by affiliated companies" as of December 31, 2008 presented above includes guarantees for loans receivable which were transferred from an affiliated company to a third party.

With respect to ¥1,158 million of guarantees for receivables in the credit guarantee business as of December 31, 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 ¥1,119 million and ¥1,266 million, which have been included in "Reserve for losses on business of affiliated companies" as of December 31, 2008 and March 31, 2008, respectively.

Note 5. Rediscounted notes as of March 31, 2008 are ¥49 million.

Note 6. (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 December 31, 2008 and March 31, 2008 are as follows:

	December 31, 2008	March 31, 2008
	(In millions)	
Total overdraft facilities, loan commitment limits and syndicated loan credit lines	¥2,000	¥ 5,200
Outstanding borrowings within the limits	(2,000)	(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 December 31, 2008 and March 31, 2008 are as follows:

	December 31, 2008	March 31, 2008
	(In millions)	
Total amount of credit line agreements	¥ 5,535	¥ 19,499
Loans outstanding under credit line agreements	(5,106)	(18,710)
Total unfunded credit lines	¥ 428	¥ 788
Of which unfunded credit lines without loans outstanding	217	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 nine months and three months ended December 31, 2008 are as follows:

Nine Months Ended December 31, 2008	(In millions)		Three Months Ended December 31, 2008	
Selling, General and Administrative Expenses:			Selling, General and Administrative Expenses:	
Provision for loan losses	¥12,826		Provision for loan losses	¥5,527
Provision for guarantee losses	3,077		Provision for losses on excess interest repayments	671
Provision for losses on excess interest repayments	1,899		Depreciation and amortization	167
Depreciation and amortization	539		Salaries for directors	74
Salaries for directors	286		Salaries for employees	763
Salaries for employees	2,692		Taxes and duties	209
Provision for bonuses for employees	206		Lease and rental expenses	293
Taxes and duties	646		Commission fees	19
Lease and rental expenses	1,006			
Commission fees	448			

Consolidated Statement of Cash Flows

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

	December 31, 2008
	(In millions)
Cash and deposits	¥ 3,893
Restricted cash in banks pledged as collateral	(1,288)
Cash and cash equivalents	¥ 2,605

Shareholders' Equity

(December 31, 2008) and (April 1, 2008 ~ December 31, 2008)

1. Information on issued shares as of December 31, 2008 are as follows:

	December 31, 2008
Type of share	Common stock
Number of shares (thousand shares)	245,894

2. Information on shares of treasury stock as of December 31, 2008 are as follows:

	December 31, 2008
Type of share	Common stock
Number of shares (thousand shares)	6,284

3. Information on issuance of stock acquisition rights as of December 31, 2008 are as follows:

Company Name	Type of Shares		Number of Shares (Thousand shares)	Outstanding as of December 31, 2008 (In millions)
	Attributable to Stock Acquisition Rights	Attributable to Stock Acquisition Rights		
NIS Group Co., Ltd.	Common stock		-	¥-
			(8,750)	
Total			-	¥-
			(8,750)	

Notes: 1. "Number of Shares Attributable to Stock Acquisition Rights" presented above is the number of exercisable shares of stock acquisition rights.

2. Each number in parentheses is the stock acquisition rights for share repurchase, which is not included in the relevant "Number of Shares Attributable to 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 December 31, 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 December 31, 2008 are as follows:

	December 31, 2008
	(In millions)
Machinery:	
Acquisition costs	¥ 433
Accumulated depreciation	(264)
Book value	169
Equipment:	
Acquisition costs	3,492
Accumulated depreciation	(2,052)
Book value	1,439
Software:	
Acquisition costs	690
Accumulated amortization	(384)
Book value	306
Other:	
Acquisition costs	63
Accumulated amortization	(42)
Book value	21
Total:	
Acquisition costs	4,679
Accumulated depreciation and amortization	(2,743)
Book value	¥ 1,936

2. The amounts of outstanding future lease payments to be received as of December 31, 2008 are as follows:

	December 31, 2008
	(In millions)
Due within one year	¥ 985
Due after one year	1,166
Total	¥2,152

3. Lease revenues, depreciation and amortization expense, and interest income equivalent for the nine months and three months ended December 31, 2008 are as follows:

	Nine Months Ended December 31, 2008	Three Months Ended December 31, 2008
	(In millions)	
Lease revenues	¥1,061	¥340
Depreciation and amortization expense	767	245
Interest income equivalent	266	78

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

(December 31, 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 December 31, 2008 are as follows:

	December 31, 2008		Difference
	Cost	Carrying Value (In millions)	
Equity securities	¥763	¥834	¥70
Total	¥763	¥834	¥70

Derivative Transactions

(December 31, 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 hedging instruments and terminated adoption of hedge accounting. Accordingly, gains and losses of the hedging instruments at the time of termination will be deferred until gains and losses of the hedged items are recognized.

Segment Information

1. Business Segment Information

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

	Three Months Ended December 31, 2008						
	Integrated Financial Services	Servicing Business	Real Estate Business	Other Businesses	Total	Eliminations	Consolidated
	(In millions)						
Operating revenues:							
(1) Operating revenues from third parties	¥3,809	¥1,904	¥509	¥83	¥6,305	¥-	¥6,305
(2) Operating revenues from inter-segment sales or transfers	202	-	1	0	205	(205)	-
Total operating revenues	4,012	1,904	510	83	6,511	(205)	6,305
Operating (losses) income	¥(6,218)	¥(677)	¥349	¥(14)	¥(6,561)	¥(373)	¥(6,935)

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

Notes: 1. Classification of business segments

Business segments are classified by taking into consideration similarities in the type and nature of businesses and operating transactions.

2. Main descriptions of each business segment

- (1) Integrated Financial Services: Provider of loan products to individuals including consumers, SMEs, and their owners
Provider of leases, etc.
Provider of guarantee services
Securities business
- (2) Servicing Business: Management, collection, acquisition, and investment in specific money claims
- (3) Real Estate Business: Real estate transactions
Real estate development
Asset management
- (4) Other Businesses: SME support services
Agent for life or non-life insurance companies, etc.

3. As discussed in "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 ¥828 million in "Integrated Financial Services" for the nine months ended December 31, 2008.

4. Significant change in assets by business segment

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

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

2. Geographical Segment Information

Geographical segment information is omitted for the three months and nine months ended December 31, 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 nine months ended December 31, 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

	December 31, 2008	March 31, 2008
	(In yen)	
Consolidated:		
Net assets per share	¥45.45	¥228.89

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

	December 31, 2008	March 31, 2008
	(In millions)	
Total net assets on the consolidated balance sheets	¥12,348	¥58,763
Net assets attributable to common stock	10,891	54,847
Differences between net assets and net assets attributable to common stock:		
Stock acquisition rights	-	102
Minority interest	1,457	3,814

	December 31, 2008	March 31, 2008
	(Thousand shares)	
Number of issued shares	245,894	245,894
Number of shares of treasury stock	6,284	6,276
Number of shares for the calculation of net assets per share	239,610	239,617

2. Basic and diluted net income per share

	Nine Months Ended December 31, 2008	Three Months Ended December 31, 2008
	(In yen)	
Consolidated:		
Net losses per share:		
Basic	¥188.62	¥59.57
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:

	Nine Months Ended December 31, 2008	Three Months Ended December 31, 2008
	(In millions except shares)	
Net losses on the consolidated statement of operations	¥45,195	¥14,274
Net losses attributable to common stock	45,195	14,274
Amounts not attributable to common shareholders	-	-
Weighted-average number of outstanding shares (thousand shares)	239,613	239,610
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

(October 1, 2008 ~ December 31, 2008)

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

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

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

2. OTHER

None

SECOND SECTION: GUARANTOR COMPANY OF THE COMPANY

None

Quarterly Review Report of Independent Certified Public Accountants

February 12, 2009

Board of Directors of
NIS GROUP CO., LTD.

Sanyu & Co.

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

Pursuant to Article 193-2-1 of the Financial Instruments and Exchange Law, we have reviewed the consolidated balance sheets, the consolidated statements of operations and cash flows of NIS GROUP CO., LTD. included in "FINANCIAL STATEMENTS" as of and for the three months and nine months ended December 31, 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 December 31, 2008 and consolidated results of their operations and their cash flows for the three months and nine 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 nine months ended December 31, 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 response 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 January 28, 2009, the Company sold a part of its ownership shares in a subsidiary.

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 Act.

Notes 1. The above are the electronic copies of the items on the original Quarterly Review Report. Such original is kept by the Company.

2. XBRL data themselves are not included in the scope of consolidated financial statements for the three months and nine months ended December 31, 2008

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: February 13, 2009

Company name: NIS GROUP CO., LTD.

Representative: Masayuki Yasuoka
Chairman and Representative Director of the Board

Chief Financial Officer: Not Applicable

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.
(6-1, Nishi-Shinjuku 1-chome, Shinjuku-ku, Tokyo)

Research Department, NIS Group Co., Ltd.
(1-8, Hon-cho 4-chome, Kawaguchi City, Saitama)

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

Masayuki Yasuoka, Chairman and Representative Director of the Board, hereby certifies that the contents of the Quarterly Financial Report for the three months ended December 31, 2008 fairly present the information therein in conformity with the regulations of the Japanese Financial Instruments and Exchange Law.

2. SPECIAL NOTES

None