

Fitch Affirms Nissin's Special Servicer Ratings; Removes From Rating Watch

Fitch Ratings-Tokyo/Singapore-10 June 2009: Fitch Ratings has today affirmed Nissin Servicer Co., Ltd.'s (Nissin) asset-backed special servicer rating at 'ABSS3(JPN)' and its commercial mortgage special servicer rating at 'CSS3-(JPN)'. The ratings have been removed from Rating Watch Negative.

The rating actions are based on the improvement made to Nissin's funding situation as a result of a successfully established structure for business improvement with respect to the managerial, financial and operational aspect of Nissin, as per its Basic Agreement signed in December 2008 by NIS Group, Co., Ltd., Incubator Bank of Japan, Ltd., Investment Organization of Small and Medium-sized Enterprises Co., Ltd. (formerly known as BB Net corp.), Small and Medium-sized Enterprises Guarantee Organization Co., Ltd. - hereinafter, collectively referred to as "SME Companies" - and Nissin. The rating actions also reflect the agency's view that despite the continually harsh environment, there has been no significant change in Nissin's servicing capability.

Nissin's financial result for the financial year ended March 2009 (FYE09) reported a net loss exceeding JPY8.8bn, reflecting the difficult funding and operational environment as well as the revaluation loss incurred with respect to its assets including the tax assets. The total debt remains at high JPY32bn, and shareholders equity shrank substantially.

Responding to the situation, Nissin has been making efforts to improve its profit structure and to enhance stability of its financial footings. It was through this process that the Basic Agreement was signed, seeking cooperation and alliance from a group of corporations anchored by the SME Companies while Nissin continues its process of improving its funding and operational situation.

However, the financial condition of Nissin continues to be difficult. The majority of its debt consists of short term borrowings from SME Companies and their close allies, and Nissin needs a more stabilised funding base with reduced interest rate. Nissin is scheduled to issue this month its first preferred stock of JPY2.0bn to Small and Medium-sized Enterprises Guarantee Organization Co., Ltd. with all the proceeds to be applied to the repayment of its debt. Nissin also have plans for additional preferred stock issuance, which Fitch will continue to monitor as and when this occurs.

With respect to Nissin's servicing operation, along with the reduction of its assets, the number of servicing staff has been subject to adjustment mainly by internal reallocation; as such, experienced staff remains a core strength of the servicer. In addition, there has been no major change in such areas as internal control, system and servicing procedures. Since Nissin stopped purchasing loans and continues its collection of existing assets, the balance of its servicing assets has been declining. However, Fitch regards that Nissin has maintained its servicing capability at a level consistent with the assigned ratings. The agency will continue to monitor the development of the servicing operation.

Established in July 2001, Nissin has been handling both unsecured and secured loan receivables with a license, obtained in October 2001, from the Minister of Justice. As at end-March 2009, Nissin serviced over 26,000 secured and unsecured loans, with an unpaid principal balance of JPY458bn.

Fitch rates primary, special and master servicers in Japan on a scale of one through five, with one being the highest rating. In addition, Fitch may attach a plus (+) or minus (-) sign to the rating, indicating a relative position within each rating category. "JPN" appears in the Japanese ratings to reflect their relevance in Japan's legal, economic and social context. For further details, please refer to the report titled 'Rating Japanese Servicers', dated 11 July 2007 available on Fitch's websites at 'www.fitchratings.com' in English and 'www.fitchratings.co.jp' in Japanese.

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