

NOMURA INTERNATIONAL PLC

ANNUAL REPORT

31 March 2012

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COMPANIES HOUSE

COMPANY REGISTERED NUMBER 1550505

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NOMURA INTERNATIONAL PLC

YEAR ENDED 31 MARCH 2012

DIRECTORS' REPORT

The Directors of Nomura International plc ("the Company") present their report and the financial statements for the year ended 31 March 2012

These financial statements have been prepared on a company only basis and do not include the results and net assets of the Company's subsidiary undertakings

PRINCIPAL ACTIVITIES

The Company is the London based securities broker/dealer operating company within the Nomura Group headed by Nomura Holdings, Inc ("NHI") The Company's activities include

- Trading and sales in fixed income and equity products, including related derivatives,
- Investment banking services,
- Asset and principal finance business, and
- Corporate finance and private equity

The Company has branches in Madrid, Dubai, Milan, Stockholm, Helsinki and Doha. The Company established a branch in Stockholm, Sweden on 1 June 2011 and a branch in Helsinki, Finland on 1 March 2012

On 1 April 2011, the Company merged the assets and liabilities of Nomura Italia Società Di Intermediazione Mobiliare P.A. ("NIS"), a former subsidiary of Nomura Europe Holdings plc ("NEHS"). Consideration for the transfer of these assets and liabilities was made in the form of the issuance of 42,540,588 ordinary shares in the Company to NEHS. The business combination of NIS and the company has been accounted for as a merger. The impact on prior year comparatives is disclosed in note 2 on page 27

RESULTS AND DIVIDEND

The results for the year are set out on page 9. The loss transferred to reserves for the year amounted to \$1,245,674,000 (2011 loss of \$352,769,000)

No interim dividend was paid (2011 \$Nil) and the Directors do not recommend the payment of a final dividend (2011 \$Nil)

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The Company's key financial and other performance indicators during the year were as follows

	<u>Year ended</u> <u>31 March 2012</u> \$'000	<u>Year ended</u> <u>31 March 2011</u> \$'000
Trading profit	2,987,499	3,160,512
Loss on ordinary activities before taxation	(1,265,774)	(371,075)
Loss on ordinary activities after taxation	(1,245,674)	(352,769)
Shareholders' funds	3,379,658	3,275,741

NOMURA INTERNATIONAL PLC

YEAR ENDED 31 MARCH 2012

DIRECTORS' REPORT (CONTINUED)

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS (CONTINUED)

The Company reported a loss on ordinary activities before tax for the year of \$1,265,774,000 (2011 loss of \$371,075,000). The increase in losses is attributable to the challenging business environment, triggered by the fiscal problems seen in certain eurozone countries. Given that market conditions are expected to remain challenging over the short term, on 1 November 2011 the Nomura Group implemented a plan to reduce costs by a combined \$1.2 billion.

As a result of the market conditions seen in Greece, Ireland, Italy, Portugal and Spain, the Company has taken measures to reduce its exposures in these countries. This is in line with other members of the Nomura Group.

Despite the adverse market environment, the Company continued to focus on client flow businesses and supplying liquidity to the market, while closely monitoring risk.

The Company has strengthened its capital base during the year. The Company issued \$1,100,000,000 of ordinary shares in August 2011 to NEHS. In December 2011, it issued subordinated debt of \$1,600,000,000 to NEHS. In addition, the company issued 42,540,588 ordinary shares in April 2011 in relation to the merger of NIS.

As a key member of the Wholesale Division of the Nomura Group, the Company will continue to focus on delivering high value-added products and solutions to its clients by leveraging its global trading infrastructure and making full use of its strengthened business franchise.

EMPLOYEE MATTERS

The Company operates an equal opportunities policy. We have taken steps to ensure all employees are aware of their obligations in ensuring that the Company's environment retains an atmosphere which is conducive to good working and high performance.

The Company's aim is to ensure that each and every individual is shown respect, treated fairly and courteously and has equal access to further opportunity and reward based on contribution to the Company.

Full internal communication and access to training and development opportunities support this philosophy.

The Company is committed to taking positive action to promote equality of opportunity, which includes provision for disabled people and those who have become disabled while employed by the Company. Our recruitment, training and promotion procedures are all based on the requirements of a particular position.

NOMURA INTERNATIONAL PLC

YEAR ENDED 31 MARCH 2012

DIRECTORS' REPORT (CONTINUED)

RISK MANAGEMENT

The Company's activities involve the assumption and transfer of certain risks, including market risk, credit risk (including counterparty credit risk), liquidity risk, cash flow interest rate risk and operational risk. The Company does not expect these risks to change during the current financial year. Further information on these risks and the Company's risk management objectives and policies are described in note 21 to the financial statements.

These risks are managed through sub-committees of the Board of NEHS. These include a Board Risk Committee, having oversight of and providing advice to the Board on the NEHS Group's risk profile, risk appetite, future risk strategy and maintenance of an appropriate risk control framework. Additionally, there are committees dedicated to overseeing risks in relation to non-Europe, Middle East and Africa (EMEA) business booked into certain European entities, including the Company.

ENVIRONMENT

The Nomura Group believes a healthy environment is the foundation of stable economic and social conditions for future generations. We are committed to acting in an environmentally responsible manner and therefore approach environmental issues positively.

- We encourage investment and constructive engagement in environmentally friendly goods and services,
- We assess environmental risks and continually strive to minimize pollution and improve the environment,
- We comply with relevant environmental laws and regulations and engage with external stakeholders on environmental issues,
- We are committed to reducing waste and conserving energy and natural resources to minimize the impact of our footprint on the environment,
- We communicate this policy to all employees to raise awareness of environmental issues and encourage environmentally friendly initiatives,
- We make this policy available for public review.

TANGIBLE FIXED ASSETS

Movements in tangible fixed assets are shown in note 10 to the financial statements.

CREDITOR PAYMENT POLICY

It is the policy of the Company to meet industry standard terms of transaction related payments or to pay in accordance with the terms agreed with suppliers when orders for goods or services are placed. Creditor days as at 31 March 2012 were 14 (2011: 14).

NOMURA INTERNATIONAL PLC

YEAR ENDED 31 MARCH 2012

DIRECTORS' REPORT (CONTINUED)

EVENTS SINCE THE BALANCE SHEET DATE

On 17 April 2009 WestLB served proceedings on the Company and Nomura Bank International plc ("NBI"), claiming that, on maturity of a note issued by NBI and maturing in October 2008, WestLB were entitled to receive approximately \$22 million, which it claims to be the value of a fund of shares referable to the NBI note. On 11 November 2010, the High Court in London dismissed WestLB's claim. WestLB obtained leave to appeal on 7 March 2011. On 24 April 2012 the Court of Appeal in London dismissed WestLB's appeal.

DONATIONS

No political donations were made during the year (2011: \$Nil). Charitable donations of \$1,038,111 (2011: \$504,024) have been made.

DIRECTORS

The current Directors and those serving during all or part of the year are:

Kieran Poynter	Chairman (appointed as Chairman 01 December 2011) Non-Executive Director
Lord Marshall of Knightsbridge	Chairman (resigned as Chairman 01 December 2011) Non-Executive Director (resigned 31 March 2012)
John Phizackerley	Chief Executive (appointed as Chief Executive 28 April 2011) Executive Director
Tarun Jotwani	Chief Executive (resigned as Chief Executive 28 April 2011) Executive Director (resigned 23 January 2012)
Kenji Kimura	Executive Director
David Farrant	Executive Director
David Benson	Executive Director
Paul Spanswick	Executive Director
Yasuo Kashiwagi	Executive Director (appointed 29 June 2011)
Lewis O'Donald	Executive Director (appointed 20 June 2011)
Jeremy Bennett	Non-Executive Director (appointed 19 April 2012)
Masanori Itatani	Non-Executive Director
Dame Clara Furse	Non-Executive Director
Masafumi Nakada	Non-Executive Director (resigned 26 May 2011)

DIRECTORS' INDEMNITIES

As at the date of this report and during the relevant financial year, indemnities are and were in force under which the Company has agreed to indemnify certain Directors of the Company, directors of certain associated Companies to the extent permitted by law and in accordance with the Company's articles of association, in respect of certain losses and liabilities arising out of, in connection with, the execution of their powers, duties and responsibilities, as Directors of the Company. In addition, NHI effected a global Directors and Officers liability insurance programme for the benefit of the Nomura Group.

NOMURA INTERNATIONAL PLC

YEAR ENDED 31 MARCH 2012

DIRECTORS' REPORT (CONTINUED)

GOING CONCERN

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in this Report. Its objectives, policies and processes for risk management, and its exposures to credit and liquidity risk, are described in note 21 to the financial statements. Its capital management procedures and available capital resources are described in note 23.

The Company has received injections of ordinary share capital in April 2011 and August 2011 and issued subordinated debt in December 2011 to support its capital position. While market and regulatory pressures remain challenging, opportunities for revenue growth exist.

The Directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly the financial statements have been prepared on a going concern basis.

DISCLOSURE OF INFORMATION TO AUDITORS

The Directors who were members of the Board at the time of approving the Directors' Report are listed on the previous page. Having made enquiries of fellow Directors and of the Company's auditors, each of these Directors confirms that:

- to the best of each Director's knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditors are unaware, and
- each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

AUDITORS

The Auditors, Ernst & Young LLP, have expressed their willingness to continue in office and a resolution re-appointing them as Auditors and authorising the Directors to determine their remuneration will be proposed at the Annual General Meeting.

BY ORDER OF THE BOARD



Andrew Eames
Company Secretary

23 July 2012

Company registration number 1550505

NOMURA INTERNATIONAL PLC

YEAR ENDED 31 MARCH 2012

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NOMURA INTERNATIONAL PLC

We have audited the financial statements of Nomura International Plc ("the Company") for the year ended 31 March 2012 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Reconciliation of Movement in Shareholders' Funds, Balance Sheet and the related notes 1 to 32. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 March 2012 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Ernst & Young LLP

David Canning-Jones (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

25th July 2012

NOMURA INTERNATIONAL PLC

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2012

		<u>Year ended</u> <u>31 March 2012</u>	<u>Year ended</u> <u>31 March 2011</u>
		\$'000	\$'000
Notes			
1(c),3	TRADING PROFIT	2,987,499	3,160,512
4	Other operating Income /(Loss)	4	(171)
		<hr/>	<hr/>
		2,987,503	3,160,341
1(d),5	Interest receivable and similar income	1,986,036	1,251,205
1(d),5	Interest payable and similar charges	(4,055,131)	(2,968,691)
		<hr/>	<hr/>
	Net interest payable	(2,069,095)	(1,717,486)
	General and administrative expenses	(2,006,128)	(1,662,754)
		<hr/>	<hr/>
	OPERATING LOSS	(1,087,720)	(219,899)
	Interest payable on subordinated borrowings	(178,054)	(151,176)
		<hr/>	<hr/>
6	LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	(1,265,774)	(371,075)
8	Tax credit on loss on ordinary activities	20,100	18,306
		<hr/>	<hr/>
	LOSS ON ORDINARY ACTIVITIES AFTER TAXATION	<u>(1,245,674)</u>	<u>(352,769)</u>

The notes on pages 14 to 85 form part of these financial statements

All profits and losses noted above are derived from continuing activities

NOMURA INTERNATIONAL PLC

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 MARCH 2012

		<u>2012</u>	<u>2011</u>
Notes		\$'000	\$'000
	Loss for the financial year	(1,245,674)	(352,769)
7	Actuarial loss on defined benefit pension scheme	(2,525)	(4,393)
1(f),20	Gain on available-for-sale investments	1,890	221
1(f),20	Realised (gains) / losses on available-for-sale investments reclassified to the profit and loss account on disposal	(4)	171
Total recognised losses relating to the year		<u>(1,246,313)</u>	<u>(356,770)</u>

The notes on pages 14 to 85 form part of these financial statements

NOMURA INTERNATIONAL PLC

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS FOR THE YEAR ENDED 31 MARCH 2012

Notes		<u>2012</u> \$'000	<u>2011</u> \$'000
	Loss on ordinary activities after taxation	(1,245,674)	(352,769)
	Other recognised gains and losses relating to the year		
7	Actuarial loss on pension scheme	(2,525)	(4,393)
1(f),20	Gain on available-for-sale investments	1,890	221
1(f),20	Realised (gains) / losses on available-for-sale investments reclassified to the profit and loss account on disposal	(4)	171
19	New share capital subscribed	1,142,540	1,150,000
20	Movement on share-based payment reserve	188,943	109,395
20	Share Premium	18,747	-
	Net addition to shareholders' funds	<u>103,917</u>	<u>902,625</u>
	Opening shareholders' funds at 1 April	<u>3,275,741</u>	<u>2,373,116</u>
	Closing shareholders' funds at 31 March	<u>3,379,658</u>	<u>3,275,741</u>

The notes on pages 14 to 85 form part of these financial statements

NOMURA INTERNATIONAL PLC

BALANCE SHEET AT 31 MARCH 2012

Notes		<u>2012</u> \$'000	<u>2012</u> \$'000	<u>2011</u> \$'000	<u>2011</u> \$'000
	FIXED ASSETS				
9	Intangible fixed assets	51,992		52,889	
10	Tangible fixed assets	339,509		344,020	
11	Fixed asset investments	34,025		34,025	
12,22	Available-for-sale investments	<u>4,588</u>		<u>2,963</u>	
			430,114		433,897
	CURRENT ASSETS				
1(e),12,22	Financial assets held for trading	210,508,595		187,152,144	
1(e),12,22	Financial assets designated at fair value through profit and loss	24,008,145		18,756,291	
12	Collateral paid for securities purchased under agreements to resell	129,060,182		148,713,083	
12	Collateral paid for securities borrowed	31,245,375		27,981,431	
12,14	Other debtors	17,538,441		14,647,768	
12	Investments - time deposits	632,654		2,653,535	
12	Cash at bank and in hand	<u>4,664,862</u>		<u>2,559,087</u>	
			417,658,254		402,463,339
	CREDITORS (amounts falling due within one year)				
1(e),12,22	Financial liabilities held for trading	(198,269,361)		(171,271,760)	
1(e),12,22	Financial liabilities designated at fair value through profit and loss	(16,492,155)		(13,014,434)	
12	Collateral received for securities sold under agreements to repurchase	(134,861,209)		(158,710,435)	
12	Collateral received for securities loaned	(22,686,665)		(22,420,542)	
12,15	Other creditors	<u>(30,173,343)</u>		<u>(21,436,876)</u>	
			(402,482,733)		(386,854,047)
	NET CURRENT ASSETS		15,175,521		15,609,292
	TOTAL ASSETS LESS CURRENT LIABILITIES		<u>15,605,635</u>		<u>16,043,189</u>
12,17	CREDITORS (amounts falling due after more than one year)		(12,225,977)		(12,767,448)
	NET ASSETS		<u>3,379,658</u>		<u>3,275,741</u>

NOMURA INTERNATIONAL PLC

BALANCE SHEET AT 31 MARCH 2012 (CONTINUED)

Notes		<u>2012</u> \$'000	<u>2011</u> \$'000
	CAPITAL AND RESERVES		
19	Called up share capital	6,491,672	5,349,132
20	Share Premium	18,747	-
20	Redenomination reserve	25,921	25,921
20	Other reserve	(100,337)	(100,337)
20	Capital redemption reserve	184,499	184,499
20	Available-for-sale reserve	10,075	8,189
20	Share-based payment reserve	468,860	279,917
20	Profit and loss account	(3,719,779)	(2,471,580)
		<hr/>	<hr/>
	SHAREHOLDERS' FUNDS – Equity	<u>3,379,658</u>	<u>3,275,741</u>

Approved by the board of Directors on 23 July 2012 and signed on its behalf by


John Phizackerley
Director

The notes on pages 14 to 85 form part of these financial statements

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2012

1 ACCOUNTING POLICIES

(a) Basis of Accounting

The financial statements have been prepared on a going concern basis and under the historical cost convention, as modified by the inclusion of trading securities, derivatives and other financial instruments at fair value in accordance with United Kingdom Generally Accepted accounting standards, as defined in note (b) below

The Company has taken advantage of the exemption contained within the Companies Act 2006 from having to prepare consolidated financial statements since it is a wholly owned subsidiary of Nomura Europe Holdings plc, a company registered in the UK. These financial statements have been prepared on a company only basis

Where appropriate, prior year figures have been restated to conform with the current year presentation

(b) Fair Value of Financial Instruments

The Company holds a significant portion of financial instruments at fair value, as described below. A description of the Company's policies with regards to its application of fair value measurements to significant financial instruments is as follows

(i) Valuation of fair value instruments

The fair value of financial instruments is the amount at which the instruments could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale

The best evidence of fair value is quoted prices in an active market. Therefore, the fair value of financial instruments, including exchange-trading securities and derivatives is based on quoted market prices on exchanges or other broker/dealer quotations

Where quoted market prices or broker/dealer quotations are not available, prices for similar instruments or valuation pricing models are considered in the determination of fair value. Valuation pricing models consider contractual terms, position size, underlying asset prices, interest rates, dividend rates, time value, volatility and other statistical measurements for the relevant instruments or for instruments with similar characteristics. These models also incorporate adjustments relating to counterparty and the Company's own credit risk, the administrative costs of servicing future cash flow and market liquidity adjustments. These adjustments are fundamental components of the fair value calculation process. The valuation technique used maximises the use of market inputs and minimises the use of entity-specific inputs which are unobservable in the market

Valuation pricing models and their underlying assumptions impact the amount and timing of unrealized gains and losses recognised, and the use of different valuation pricing models or underlying assumptions could produce different financial results. Any changes in the fixed income, equity, foreign exchange and commodity markets can impact the Company's estimates of fair value in the future, potentially affecting trading and non-trading gains and losses. The Company's estimates of fair value may involve greater subjectivity due to the lack of transparent market data available upon which to base assumptions underlying valuation pricing models

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2012 (CONTINUED)

1 ACCOUNTING POLICIES (CONTINUED)

(b) Fair Value of Financial Instruments (continued)

(i) Valuation of fair value instruments (continued)

Valuation pricing models and their underlying assumptions impact the amount and timing of unrealized gains and losses recognised, and the use of different valuation pricing models or underlying assumptions could produce different financial results. Any changes in the fixed income, equity, foreign exchange and commodity markets can impact the Company's estimates of fair value in the future, potentially affecting trading and non-trading gains and losses. The Company's estimates of fair value may involve greater subjectivity due to the lack of transparent market data available upon which to base assumptions underlying valuation pricing models.

(ii) Recognition of day 1 gains and losses

The fair value of a financial instrument is normally the transaction price (i.e. the fair value of consideration given or received). In some cases, however, the fair value at inception will be based on a valuation pricing model incorporating only observable parameters in the market or on other observable current market transactions in the same instrument, without modification or repackaging. Where such valuation techniques are used to derive fair values from market observable inputs, the difference between fair value and the transaction price is recognised in the profit and loss account.

Valuation techniques incorporating significant unobservable parameters may also be used to determine fair value at inception. In such cases, the difference between the transaction price and model value is only recognised in the profit and loss account when the inputs become observable, or when the instrument is derecognised.

(iii) Fair value option

Certain financial instruments may be designated at fair value by management when one of the following criteria is met:

- 1) The financial instrument contains an embedded derivative that significantly modifies the cash flows resulting from the financial instrument, or
- 2) Fair value will eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise result from measuring related financial instruments on different bases, or
- 3) The financial instrument is part of a group of financial instruments both managed and evaluated on a fair value basis, in accordance with a documented risk management or investment strategy. Information about these financial instruments is provided internally on a fair value basis to the Company's key management personnel.

The fair value option election under 1) and 2) above is undertaken on a product-by-product basis. This only applies to those instruments that meet one or more of the above criteria, where fair value would provide a fairer representation of the risks associated with those instruments. Once made, the fair value option election is irrevocable.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2012 (CONTINUED)

1 ACCOUNTING POLICIES (CONTINUED)

(c) Trading Profit

(i) Principal Transactions Income and Expenses

Principal transactions income and expenses include realised and unrealised gains and losses from proprietary trading activities, asset finance, customer trading activities, private equity and profits on disposals of related party investments. Principal transactions income and expenses are generated predominantly by financial instruments held for trading and financial instruments designated at fair value through profit or loss. Costs directly attributable to trading are treated as a deduction from trading profit to more fairly represent dealing profit and commission sharing agreements.

(ii) Fees and Commission Income and Expenses

Fees and commission income and expenses include gains, losses and fees, net of syndication expenses, arising from securities offerings in which the Company acts as an underwriter or agent, fees earned from the provision of financial advisory services, and commission income from the provision of brokerage services.

Trading profit arises on a strategy basis across a range of instruments. It is presented on a net basis, even though the corresponding financial assets and liabilities may not have been offset on the balance sheet in accordance with the presentation requirements of FRS 25.

(d) Interest Receivable and Interest Payable

Interest receivable and payable includes dividends and interest paid and earned on securities positions, interest on financial instruments designated at fair value through profit or loss, instruments carried at amortised cost, including securities bought and sold under repurchase agreements, and amounts receivable and payable on bank deposits and bank borrowings. Interest receivable and payable is recognised in the profit and loss account using the effective interest rate method for interest bearing financial assets and liabilities carried at amortised cost. The effective interest rate method is a method of calculating the amortised cost of a financial asset or liability (or a group of assets and liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts the expected future cash payments or receipts through the expected life of the financial instrument, or when appropriate, a shorter period, to the net carrying amount of the instrument. This calculation takes into account the impact of all fees and commissions paid or received directly attributable to transaction costs, and discounts or premiums that are integral to the effective interest rate.

(e) Financial Instruments

Financial instruments within the scope of FRS 26 are classified either as financial assets or liabilities at fair value through profit or loss, loans and receivables, financial liabilities at amortised cost, available-for-sale investments or held-to-maturity investments.

The Company determines the classification of its financial assets on initial recognition depending on the purpose for which the financial instruments were acquired and their characteristics. For hybrid instruments, the Company considers whether a contract contains an embedded derivative when the entity first becomes party to it, and determines the appropriate classification at this time.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2012 (CONTINUED)

1 ACCOUNTING POLICIES (CONTINUED)

(e) Financial Instruments (continued)

In accordance with FRS 26, all financial instruments are initially measured at fair value

(i) **Financial instruments at fair value through profit or loss**

Financial instruments at fair value through profit or loss includes financial instruments held for trading and financial instruments designated upon initial recognition as at fair value through profit and loss

a Financial instruments held for trading

Financial assets and liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term or are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking. These instruments are generally recognised as regular way transactions, on a settlement date basis. Derivatives, including separated embedded derivatives, are also classified as held for trading.

Derivative instruments, as detailed in note 21, are used for trading and risk management purposes. In accordance with FRS 26, all derivatives are recognised initially and subsequently carried at fair value, with derivatives having positive fair values carried as assets and derivatives with negative fair values carried as liabilities on the balance sheet.

Some hybrid contracts contain both a derivative and a non-derivative component. In such cases, the derivative component is termed an embedded derivative. The majority of hybrid contracts are designated at fair value through profit or loss as described below. However, where the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract, and the fair value option is not elected, the embedded derivative is bifurcated and reported at fair value with gains and losses being recognised in the profit and loss account.

b. Financial instruments designated at fair value through profit and loss

Any financial asset or financial liability within the scope of FRS 26 may be designated when initially recognised as a financial asset or financial liability at fair value through profit or loss, assuming the criteria described in note 1(b) (iii) are met, except for investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

The Company applies the fair value option to the following instruments:

- Loans and receivables and repos and reverse repos which are risk managed on a fair value basis. The Company elects the fair value option to mitigate income statement volatility caused by the difference in measurement basis for loans and receivables and the derivatives used to risk manage those instruments,
- Structured notes held and issued. The fair value option is elected primarily as these financial instruments contain an embedded derivative that significantly modifies the cash flows resulting from the financial instrument,

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2012 (CONTINUED)

1 ACCOUNTING POLICIES (CONTINUED)

(e) Financial Instruments (continued)

- Financial liabilities associated with continuing involvement in assets derecognised under FRS 26 The fair value option is elected to mitigate income statement volatility which would arise between these liabilities and their related assets which are measured at fair value,
- Prepaid OTC Contracts These are transactions for which an initial investment of greater than 90% of the notional of the embedded derivative has been paid or received The risk on these financial instruments, both financial assets and financial liabilities, is primarily hedged using financial instruments categorised as held for trading, and
- Other Financial Liabilities These include financial liabilities such as those that arise upon the consolidation of certain special purpose entities and those that arise as a result of continuing recognition of certain financial assets and the simultaneous recognition of an associated financial liability

Financial instruments designated at fair value are generally recognised on a settlement basis, when the Company becomes party to the contractual provisions of the instrument

When a fair value financial asset or liability is recognised initially, the Company measures it at its fair value and transaction costs are taken directly to the profit and loss account If a reliable measure becomes available for a financial asset or liability where such a measure was not previously available, and the asset is required to be measured at fair value if a reliable measure is available, the asset or liability shall be remeasured at fair value and the difference between its carrying amount and fair value recognised in profit and loss All reliably measurable fair value financial assets and liabilities are subsequently held at fair value until derecognition

Gains or losses on financial instruments at fair value through profit and loss, including gains and losses due to changes in fair value, are recognised in profit and loss within trading profit

(ii) **Financial instruments at amortised cost**

a Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market Loans and receivables are initially recognised on settlement date at fair value, including any direct and incremental transaction costs After initial measurement, loans and receivables are subsequently carried at amortised cost using the effective interest rate method less any allowance for impairment Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs Gains and losses are recognised in the profit and loss account when the loans and receivables are derecognised or impaired, as well as through the amortisation process

Loans and receivables include collateral paid for securities purchased under agreements to resell and collateral paid for securities borrowed described below

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2012 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

(e) Financial Instruments (continued)

b Financial liabilities at amortised cost

Financial liabilities at amortised cost include financial obligations such as cash collateral received for securities sold under agreements to repurchase, cash collateral received for securities loaned, subordinated debt, commercial paper as well as creditors. Financial liabilities at amortised cost are initially recognised on settlement date. After initial measurement, these instruments are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the effective interest rate.

Collateral received for securities sold under agreements to repurchase and collateral received for securities loaned are further discussed below.

c Collateral paid for securities purchased under agreements to resell and collateral received for securities sold under agreements to repurchase

The Company enters into agreements with counterparties for them to sell to the Company certain securities and then repurchase them at a later date. These securities are excluded from the Company's balance sheet and the cash amount paid by the Company is shown in debtors as collateral paid for securities purchased under agreements to resell.

The Company also enters into agreements to sell certain securities to counterparties and then repurchase them at a later date. These securities are retained on the Company's balance sheet and where they are to be rehypothecated by the transferee are shown within held for trading pledged as collateral. The cash amount received by the Company is shown within creditors as collateral received for securities sold under agreements to repurchase.

The difference between sale and repurchase price is accrued over the life of the agreements using the effective interest rate method.

d Collateral paid for securities borrowed and collateral received for securities loaned

The Company enters into agreements with counterparties for them to lend to the Company certain securities which are then returned to the lender at a later date. These securities are excluded from the Company's balance sheet and the cash amount paid by the Company is shown in debtors as collateral paid for securities borrowed.

The Company also enters into agreements to lend certain securities to counterparties, to be returned at a later date. These securities are retained on the Company's balance sheet and shown within held for trading pledged as collateral where they are able to be rehypothecated by the transferee. The cash amount received by the Company is shown within creditors as collateral received for securities loaned. The transfer of the securities to counterparties is only reflected on the balance sheet if the risks and rewards of ownership are also transferred.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2012 (CONTINUED)

1 ACCOUNTING POLICIES (CONTINUED)

(e) Financial Instruments (continued)

(iii) **Available-for-sale investments**

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the two preceding categories. Available-for-sale investments are initially recognised at fair value and are subsequently held at fair value with unrealised gains or losses being recognised in the statement of total recognised gains and losses. Transaction costs on equity investments classified as available-for-sale are capitalised on initial recognition of the investment.

Available-for-sale investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.

When the investment is disposed of, the cumulative gain or loss previously recognised in the statement of total recognised gains and losses is recognised in the profit and loss under other operating income or other operating expenses. Where the Company holds more than one investment in the same security, they are deemed to be disposed of on a first-in first-out basis. Losses arising from the impairment of such investments are recognised within other operating income or expense, having been removed from the cumulative gain or loss previously recognised in the statement of total recognised gains and losses. Any foreign exchange gains or losses arising on available-for-sale financial investments are recognised in profit and loss.

Interest earned whilst holding available-for-sale investments is reported in interest receivable and similar income using the effective interest rate. Dividends earned whilst holding available-for-sale investments are also recognised in the profit and loss account under interest receivable and similar income.

(iv) **Held-to-maturity investments**

As at the balance sheet date, the Company held no held-to-maturity investments.

(f) Impairment

The Company assesses at the balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset is considered impaired if, and only if, there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset and prior to the balance sheet date, and that loss event has had an impact on the estimated future cash flows of the financial asset that can be reliably estimated. When estimating the potential impact of an impairment loss on a collateralised financial asset, expected future cash flows, both from the asset and the associated collateral, are assessed.

(i) **Loans and receivables**

For loans and receivables, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2012 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

(f) Impairment (continued)

The amount of the loss is included in the profit and loss account. If in a subsequent period the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed in the profit and loss account.

(ii) Financial assets at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by the delivery of such an unquoted equity instrument, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed except on realisation.

(iii) Available-for-sale investments

For available-for-sale investments, the Company assesses at each balance sheet date whether there is objective evidence that an investment or group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the profit and loss account – is removed from equity and recognised in the profit and loss account. Impairment losses on equity instruments are not reversed through the profit and loss account; increases in their fair value after impairment are recognised directly in equity.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. Interest continues to be accrued at the original effective interest rate on the reduced carrying amount of the asset and is recorded as part of interest receivable and similar income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the profit and loss account, the impairment loss is reversed through the profit and loss account.

(g) Derecognition

Transfers of financial assets and liabilities are assessed to determine if assets can be derecognised. The Company derecognises financial assets when significantly all the risks and rewards of the asset are transferred. If significantly all the risks and rewards of the asset are retained, the Company retains the financial assets on its balance sheet with an associated liability for consideration received. If the Company neither transfers nor retains significantly all the risks and rewards of the transferred asset, but retains control over the asset, it recognises the transferred asset and an associated liability measured on a basis that reflects the rights and obligations retained by the Company.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2012 (CONTINUED)

1 ACCOUNTING POLICIES (CONTINUED)

(h) Offsetting financial instruments

Financial assets and financial liabilities are presented on a gross basis unless the Company has a current legally enforceable right to set off the financial asset and financial liability and the Company intends to settle the financial asset and financial liability on a net basis

(i) Financial guarantees

The Company issues financial guarantee contracts which require the Company to reimburse holders of such guarantees for any losses suffered due to a failure by specified debtors to make payments when due as specified by the terms of an underlying debt instrument. Such financial guarantees are initially recognized at fair value. The amount initially recognized includes an adjustment for transaction costs which are directly attributable to the issuance of the guarantee. On a subsequent measurement basis, value of the financial guarantee is adjusted to reflect the higher of the best estimate of the amount required to settle the probable obligation at the reporting date. Any amount recognized is net of cumulative amortization previously recognized.

(j) Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptability and valuation of each type of collateral.

The main types of collateral obtained are as follows:

- For securities lending and reverse repurchase transactions, cash or securities,
- For commercial lending, charges over financial and/or non financial assets, and
- For derivatives, cash or securities

Management monitors the market value of collateral, and will request additional collateral in accordance with the underlying agreement.

The Company also makes use of master netting agreements with counterparties with whom a significant volume of transactions are undertaken. Such an arrangement provides for a single net settlement of all financial instruments covered by the agreement in the event of default on any one contract. Master netting arrangements do not normally result in an offset of balance-sheet assets and liabilities unless certain conditions for offsetting under FRS 25 apply.

Although master netting arrangements may significantly reduce credit risk, it should be noted that:

- Credit risk is eliminated only to the extent of the amounts due to the same counterparty, and
- The extent to which overall credit risk is reduced may change substantially within a short period because the exposure is affected by each transaction subject to the arrangement.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2012 (CONTINUED)

1 ACCOUNTING POLICIES (CONTINUED)

(k) Fixed Assets and Depreciation

Fixed assets are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment losses. Construction in progress is capitalised on a floor-by-floor basis from the completion date of each floor. The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Depreciation rates are selected based on expected useful economic lives of the assets, taking into account the expected rate of technological developments, market requirements and expected use of the assets. The selected rates are regularly reviewed to ensure they remain appropriate to the Company and its circumstances. Fixed assets are currently depreciated on a straight-line basis in order to write off their cost over their expected useful economic lives as follows:

Long leasehold property	Over the life of the lease
Furniture, equipment and software	Five to ten years
Construction in progress	Not depreciated until completed and transferred to asset categories above

Fixed assets are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in the profit and loss account as an exceptional item.

(l) Intangible Assets

Goodwill is the difference between the cost of an acquired entity and the aggregate of the fair value of that entity's identifiable assets and liabilities.

Positive goodwill arising on acquisition is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life up to a maximum of 20 years. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable. If an entity is subsequently sold or closed, any goodwill arising on acquisition that has not been amortised through the profit and loss account is taken into account in determining the profit or loss on sale or closure.

All goodwill arising in the financial statements relates to the acquisition of Lehman Brothers businesses and is being amortised on a straight line basis over a twenty year period.

(m) Fixed Asset Investments

Investments in subsidiary undertakings, which are outside the scope of FRS 26, are stated at original cost less amounts written off where there has been impairment in value.

(n) Provisions

A provision is recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2012 (CONTINUED)

1 ACCOUNTING POLICIES (CONTINUED)

(o) Foreign Currencies

Transactions in foreign currencies are initially recorded in the functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences arising from the application of closing rates of exchange, together with exchange gains/losses from trading activities, are taken to the profit and loss account. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

(p) Taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax or a right to pay less tax in the future have occurred at the balance sheet date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. Timing differences are the differences between the Company's taxable profits and its results as stated in the financial statements, which are capable of reversal in one or more subsequent periods.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

(q) Pension Costs

The Company operates a defined benefit pension plan, which requires contributions to be made to a separately administered fund. The defined benefit pension scheme was closed to further accrual in October 2005.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method, which attributes entitlement to benefits at the date the plan closed to the current period to determine the present value of the defined benefit obligation and is based on actuarial advice. Past service costs are recognised in the profit and loss account on a straight-line basis over the vesting period or immediately if the benefits have vested. When a settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs, the obligation and related plan assets are remeasured using actuarial assumptions at the date of the curtailment or settlement and the resultant gain or loss recognised in the profit and loss account during the period in which the settlement or curtailment occurs. Losses are measured at the date that the employer becomes demonstrably committed to the transaction and gains when all parties whose consent is required are irrevocably committed to the transaction.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2012 (CONTINUED)

1 ACCOUNTING POLICIES (CONTINUED)

(q) Pension Costs (continued)

The interest element of the defined benefit cost represents the change in present value of scheme obligations resulting from the passage of time, and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account change in the obligation during the year. The expected return on plan assets is based on an assessment made at the beginning of the year of long-term market returns on scheme assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the year. The difference between the expected return on plan assets and the interest cost is recognised in the profit and loss account as other finance income or expense. Actuarial gains and losses are recognised in full in the statement of total recognised gains and losses in the period in which they occur.

The defined benefit pension asset or liability in the balance sheet comprises the total of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds that have been rated at AA or equivalent status and broadly consistent term to the liabilities), less any past service cost not yet recognised and less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the current bid price. The value of a net pension benefit asset is restricted to the sum of any unrecognised past service costs and the present value of any amount the Company expects to recover by way of refunds from the plan or reductions in the future contributions.

In accordance with FRS 17, the defined benefit liability is shown on the balance sheet net of deferred tax.

The amendments to FRS 17 require additional disclosures to be made in the statutory accounts, which have been included in note 7.

(r) Share-based payments

The ultimate holding company, Nomura Holdings, Inc., operates share-based awards schemes for the purpose of providing incentives and rewards to eligible participants. Such share-based awards are classified as either equity-settled or cash-settled transactions depending on the terms of the award.

The cost of both the equity-settled and cash-settled transactions with employees and Directors is measured by reference to the fair value at the date at which they are granted. The fair value of the stock options as of the grant date is estimated using a Black-Scholes option-pricing model.

The cost of equity-settled transactions is recognised in the profit and loss account, together with a corresponding increase in reserves, representing the contribution received from the ultimate holding company, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the 'vesting date'). The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the profit and loss account for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2012 (CONTINUED)

1 ACCOUNTING POLICIES (CONTINUED)

(r) Share-based payments (continued)

Cash-settled transactions such as Notional Stock Unit ("NSU") which will be settled in cash are classified as liability awards. These are remeasured to fair value at each balance sheet date, net of estimated forfeitures with the final measurement of cumulative compensation cost equal to the settlement amount. Similar to the equity-settled transactions, compensation cost is recognised in the profit and loss account over the vesting period.

(s) Share Capital

Share capital meeting the definition of an equity instrument under FRS 25 is disclosed within shareholders' funds. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Preference shares, that provide for mandatory redemption by the issuer for a fixed or determinable amount at a fixed or determinable future date, or give the holder the right to require the issuer to redeem the instrument at or after a particular date for a fixed or determinable amount, are financial liabilities. Convertible preference share capital is a compound financial liability. As required by FRS 25, the components of compound financial instruments, that contain both liability and equity elements, are accounted for separately, with the equity component being assigned the residual amount after deducting from the instruments as a whole the amount separately determined as the fair value of the liability component on the date of issue.

At the balance sheet date, the Company had no issued redeemable convertible participating preference share capital.

(t) Operating Leases

Rental costs under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

(u) Cash Flow Statement

The Company has taken advantage of the exemption under FRS 1 (revised) and has not produced a cash flow statement, since the Company has more than 90% of its voting rights controlled by Nomura Holdings, Inc., in whose publicly available financial statements it is consolidated. Copies of the financial statements of Nomura Holdings, Inc. can be obtained from 9-1, Nihonbashi 1-chome, Chuo-ku, Tokyo 103-8645, Japan.

(v) Merger Accounting

On 1 April 2011, the Company merged the assets and liabilities of Nomura Italia Società Di Intermediazione Mobiliare P.A. ("NIS"), a former subsidiary of Nomura Europe Holdings plc ("NEHS"). Consideration for the transfer of these assets and liabilities was made in the form of the issuance of \$42,540,588 ordinary shares in the Company to NEHS. The business combination of NIS and the company has been accounted for as a merger. As such assets and liabilities of NIS were bought in at their book values not at fair value, no goodwill was recognised and the consideration paid being the issuance of shares is recorded at their nominal value not at their fair value.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2012 (CONTINUED)

2 IMPACT ON COMPARATIVES OF NIS MERGER

On 1 April 2011, the Company merged the assets and liabilities of Nomura Italia Società Di Intermediazione Mobiliare P A ("NIS"), a former subsidiary of Nomura Europe Holdings plc ("NEHS"). Consideration for the transfer of these assets and liabilities was made in the form of the issuance of 42,540,588 ordinary shares in the Company to NEHS. The business combination of NIS and the company has been accounted for as a merger. The pro forma comparatives as of the merger date at the start of the comparative period (1 April 2010) are as follows

PROFIT AND LOSS ACCOUNT

PRO-FORMA FOR THE YEAR ENDED 31 MARCH 2011

	<u>Year ended 31 March 2011 \$'000</u>	<u>Year ended 31 March 2011 Pro-forma \$'000</u>
TOTAL TRADING PROFIT	3,160,341	3,162,085
Net Interest Payable	(1,717,487)	(1,717,501)
General and administrative expenses	<u>(1,662,753)</u>	<u>(1,654,178)</u>
OPERATING LOSS	(219,899)	(209,594)
Interest Payable On subordinated borrowings	<u>(151,176)</u>	<u>(151,176)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	(371,075)	(360,770)
Tax credit on loss on ordinary activities	<u>18,306</u>	<u>14,346</u>
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION	<u>(352,769)</u>	<u>(346,424)</u>

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2012 (CONTINUED)

2 IMPACT ON COMPARATIVES OF NIS MERGER (CONTINUED)

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

PRO-FORMA FOR THE YEAR ENDED 31 MARCH 2011

	<u>2011</u> <u>\$'000</u>	<u>2011</u> <u>Pro-</u> <u>forma</u> <u>\$'000</u>
Loss on ordinary activities after taxation	(352,769)	(346,424)
Dividend Paid	-	(5,306)

PRO-FORMA BALANCE SHEET AS AT 31 MARCH 2011

	<u>2011</u> <u>\$'000</u>	<u>2011</u> <u>\$'000</u>	<u>2011</u> <u>Pro-forma</u> <u>\$'000</u>	<u>2011</u> <u>Pro-forma</u> <u>\$'000</u>
Fixed Assets		433,897		438,696
Current Assets	402,463,339		402,522,485	
Creditors (amounts falling due within one year)	(386,854,047)		(386,856,704)	
NET CURRENT ASSETS		<u>15,609,292</u>		<u>15,665,781</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		16,043,189		16,104,477
Creditors (amounts falling due after more than one year)		<u>(12,767,448)</u>		<u>(12,767,449)</u>
NET ASSETS		<u>3,275,741</u>		<u>3,337,028</u>
CAPITAL AND RESERVES	5,747,321		5,754,054	
Profit and loss account	(2,471,580)		(2,417,024)	
SHAREHOLDERS' FUNDS - Equity		<u>3,275,741</u>		<u>3,337,030</u>

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2012 (CONTINUED)

3 TRADING PROFIT

The whole of the Company's trading profit is derived from broking and dealing in securities, comprising trading and sales in fixed income and equity products and related derivatives, investment banking services, principal, corporate and asset finance and private equity, to which all net assets are attributable

a. Segmental Analysis

The trading profit is attributable to the following revenue streams

	<u>Year ended</u> <u>31 March 2012</u> \$'000	<u>Year ended</u> <u>31 March 2011</u> \$'000
Net fees and commissions ¹	768,770	867,025
Principal transactions ²	2,600,354	2,610,853
Less attributable transaction expenses	(381,625)	(317,366)
Trading profit	<u>2,987,499</u>	<u>3,160,512</u>

\$2,968,277,000 (2011 \$3,081,918,000) of the trading profit in the year ended 31 March 2012 is attributable to EMEA and \$ 19,222,000 (2011 \$78,594,000) to offshore markets. Due to the integrated nature of the Company's business, it is not meaningful to provide a geographical split of the Company's total assets

¹ 'Net fees and commissions' includes gains, losses and fees, net of syndication expenses arising from securities offerings in which the Company acts as an underwriter or agent, and fees earned from providing financial advisory services. Such revenues do not include revenues from secondary trading activities which are included in 'Principal transactions'. Commissions arising from broking securities are also included.

² 'Principal transactions' includes realised and unrealised gains and losses from proprietary trading activities, asset finance, customer trading activities and private equity.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2012 (CONTINUED)

3 TRADING PROFIT (CONTINUED)

b Analysis of net fee and commission income

	<u>Year ended</u> <u>31 March 2012</u> \$'000	<u>Year ended</u> <u>31 March 2011</u> \$'000
Financial instruments not at fair value through profit or loss	635,337	722,220
Other fees and commission income	133,433	144,805
	<hr/>	<hr/>
Net fees and commissions	768,770	867,025

Fees and commission income and expenses from financial instruments not at fair value through profit or loss include servicing and lending commitment fees (other than those included in determining the effective interest rate), relating to financial assets and liabilities not carried at fair value through profit or loss

Other fees and commission income and expenses include amounts arising from securities offerings in which the Company acts as an underwriter or agent, commissions arising from broking securities and fees earned from providing financial advisory services

c. Analysis of Principal Transactions by Financial Instrument Type

	<u>Year ended</u> <u>31 March 2012</u> \$'000	<u>Year ended</u> <u>31 March 2011</u> \$'000
Financial instruments held for trading	2,750,040	2,499,827
Financial instruments designated at fair value through profit and loss	(149,686)	111,026
	<hr/>	<hr/>
Principal transactions	2,600,354	2,610,853

4 OTHER OPERATING INCOME / (LOSS)

	<u>Year ended</u> <u>31 March 2012</u> \$'000	<u>Year ended</u> <u>31 March 2011</u> \$'000
Profit / (Loss) from sales of available-for-sale investments	4	(171)
	<hr/>	<hr/>
	4	(171)

Included in 'Loss from sales of available-for-sale investments' are the amounts transferred from reserves to the profit and loss account on the derecognition of available-for-sale investments

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2012 (CONTINUED)

5 INTEREST INCOME AND EXPENSE

Analysis of Total Interest Income and Expense by Financial Instrument Type

	<u>Year ended</u> <u>31 March 2012</u> \$'000	<u>Year ended</u> <u>31 March 2011</u> \$'000
Interest receivable and similar income		
Cash and short-term funds	68,073	94,073
Securities borrowed and reverse repurchase agreements	1,635,948	915,637
Other	12,914	3,475
	<u>1,716,935</u>	<u>1,013,185</u>
Financial instruments at fair value through profit and loss	269,101	238,020
	<u>1,986,036</u>	<u>1,251,205</u>
 Interest payable and similar charges		
Overdrafts and loans	(360,044)	(363,991)
Securities lent and repurchase agreements	(3,571,177)	(2,566,971)
Commercial paper	(1)	(679)
Other	(123,909)	(37,050)
	<u>(4,055,131)</u>	<u>(2,968,691)</u>

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2012 (CONTINUED)

6. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Loss on ordinary activities before tax for the Company is stated after crediting

	<u>Year ended</u> <u>31 March 2012</u> \$'000	<u>Year ended</u> <u>31 March 2011</u> \$'000
Wages, salaries and other personnel costs	1,089,858	1,019,911
Social security costs	105,315	118,663
Pension costs – defined contribution	44,812	45,258
Amortisation and depreciation (note 9 & 10)	114,213	85,665
Auditors' remuneration including expenses		
- audit	2,677	1,169
- services relating to taxation	314	150
- all other services	2,856	1,557
Operating lease costs		
- buildings	82,776	52,163
- other	1,864	3,910
Interest receivable from Nomura Group undertakings	(545,343)	(299,020)
Interest payable to Nomura Group undertakings	1,120,720	936,310

In addition to the audit fee shown above, an amount of \$765,222 (2011 \$1,078,000) was borne by Nomura Holdings, Inc

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2012 (CONTINUED)

7 DEFINED BENEFIT PENSION SCHEME

A full actuarial valuation of the defined benefit pension scheme was undertaken at 31 March 2012 by Premier Pensions Management Ltd, a qualified independent actuary

During the year ended 31 March 2012, the Company made additional contributions of \$2,525,000 and the fund remained in surplus. The amount that can be recovered through reduced contributions in the future is the present value of the liability expected to arise from future service by current and future scheme members less the present value of future employee contributions. As the plan closed to all future accrual with effect 31 October 2005, there is no future benefit accrual and therefore no surplus is to be recognised in the Company's balance sheet. The expected employer's contribution to the Company's defined benefit pension scheme for year ended 31 March 2013 is Nil (2012 \$1,558,000)

Under the projected unit actuarial cost method the current service cost will increase as members approach retirement

The major assumptions used by the actuary to calculate the defined benefit liability are set out below

	<u>31 March 2012</u>	<u>31 March 2011</u>	<u>31 March 2010</u>
	%	%	%
Rate of increase in pensions in payment	3.12%	3.60%	3.70%
Rate of increase in pensions in deferment	3.12%	3.60%	3.70%
Discount rate applied to scheme liabilities	5.04%	5.50%	5.65%
Inflation assumption	2.32%	3.00%	3.70%

Life expectancy from mortality tables used to determine benefit obligations at

	<u>31 March 2012</u>	<u>31 March 2011</u>
	Years	Years
Male Member age 63 (life expectancy at age 60)	28.3	28.1
Male Member age 50 (life expectancy at age 60)	30.3	30.2
Female Member age 63 (life expectancy at age 60)	31.2	31.0
Female Member age 50 (life expectancy at age 60)	33.2	33.1

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2012 (CONTINUED)

7 DEFINED BENEFIT PENSION SCHEME (CONTINUED)

The assets and liabilities of the scheme and the expected long-term rates of return were

	<u>31 March 2012</u>		<u>31 March 2011</u>		<u>31 March 2010</u>	
	%	\$'000	%	\$'000	%	\$'000
Equities		-	7.30	35,754	7.60	32,243
Bonds	3.24	253,862	4.60	222,715	4.90	198,420
Property	4.34	20,301	5.80	20,273	6.10	17,362
Cash	0.50	385	0.50	858	0.50	-
Annuities	5.04	53,775		-		-
Market value of assets		328,323		279,600		248,025
Present value of scheme liabilities		(222,288)		(209,726)		(195,490)
Surplus in the scheme		106,035		69,874		52,535
Effect of surplus cap		(106,035)		(69,874)		(52,535)
Recoverable deficit in the scheme		-		-		-
Deferred tax asset		-		-		-
Net pension liability		-		-		-

The expected return on assets does not allow for expenses as these are now paid directly by the Company

There is no charge to operating loss in relation to the defined benefit pension scheme (2011: \$Nil)

The amount charged to other finance income

	<u>31 March 2012</u>	<u>31 March 2011</u>
	\$'000	\$'000
Expected return on pension scheme assets	11,406	11,231
Interest on pension scheme liabilities	(11,406)	(11,231)
Other finance income	-	-

Analysis of movements scheme assets during the year

	<u>31 March 2012</u>	<u>31 March 2011</u>
	\$'000	\$'000
Deficit in scheme at beginning of year	-	-
Expected return on pension scheme assets	11,406	11,231
Interest on pension scheme liabilities	(11,406)	(11,231)
Contributions	2,525	4,393
Actuarial (gain)	(2,525)	(4,393)
Deficit in scheme at end of year	-	-

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2012 (CONTINUED)

7. DEFINED BENEFIT PENSION SCHEME (CONTINUED)

The amounts recognised in the STRGL for the year are set out below

	<u>31 March 2012</u>	<u>31 March 2011</u>
	<u>\$'000</u>	<u>\$'000</u>
Actual return less expected return on pension scheme assets	38,465	5,927
Experience losses arising on pension scheme liabilities	(1,305)	(1,765)
Changes in assumptions underlying the present value of the pension scheme liabilities	(3,464)	5,623
Actuarial gain before adjustment due to movement in surplus cap	33,696	9,785
Adjustment due to movement in surplus cap	(36,221)	(14,178)
Actuarial loss recognised in STRGL	(2,525)	(4,393)

The defined benefit pension scheme has no effect on the net assets and reserves of the Company (2011 no effect)

Analysis of movements in benefit obligation and plan assets during the year

	<u>Year ended</u> <u>31 March 2012</u>	<u>Year ended</u> <u>31 March 2011</u>
	<u>\$'000</u>	<u>\$'000</u>
Change in benefit obligations		
Benefit obligations at beginning of year	209,726	195,490
Interest cost	11,406	11,231
Actuarial loss /(gain)	4,769	(3,745)
Benefits paid	(5,088)	(4,612)
Foreign Currency Exchange (loss)/gain	(741)	11,362
Other Adjustments	2,217	-
Benefit obligations at end of year	222,289	209,726

	<u>Year ended</u> <u>31 March 2012</u>	<u>Year ended</u> <u>31 March 2011</u>
	<u>\$'000</u>	<u>\$'000</u>
Change in plan assets		
Fair value of plan assets at beginning of year	279,600	248,025
Expected return on plan assets	11,406	11,231
Actuarial gain	38,464	5,754
Employer contributions	2,525	4,393
Benefits paid from plan	(5,088)	(4,613)
Foreign Currency Exchange (loss)/gain	(1,104)	14,810
Other Adjustments	2,520	-
Fair value of plan assets at end of year	328,323	279,600

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2012 (CONTINUED)

7. DEFINED BENEFIT PENSION SCHEME (CONTINUED)

FRS 17 requires that a history of amounts that were, or would have been, recognised in the STRGL be disclosed as set out below

	<u>31 March 2012</u>	
	%	\$'000
Difference between expected and actual return on pension scheme assets	11.67% (a)	38,326
Experience gains and losses on pension scheme liabilities	(0.58%) (b)	(1,300)
Total amount recognised in STRGL	1.14% (b)	(2,525)
	<u>31 March 2011</u>	
	%	\$'000
Difference between expected and actual return on pension scheme assets	2.12% (a)	5,927
Experience gains and losses on pension scheme liabilities	(0.84%) (b)	(1,765)
Total amount recognised in STRGL	(2.09%) (b)	(4,393)
	<u>31 March 2010</u>	
	%	\$'000
Difference between expected and actual return on pension scheme assets	11.14% (a)	27,637
Experience gains and losses on pension scheme liabilities	2.29% (b)	4,478
Total amount recognised in STRGL	(2.02%) (b)	(4,158)
	<u>31 March 2009</u>	
	%	\$'000
Difference between expected and actual return on pension scheme assets	0.66% (a)	1,323
Experience gains and losses on pension scheme liabilities	0.37% (b)	449
Total amount recognised in STRGL	(3.04%) (b)	(3,815)
	<u>31 March 2008</u>	
	%	\$'000
Difference between expected and actual return on pension scheme assets	6.31% (a)	16,692
Experience gains and losses on pension scheme liabilities	(0.38%) (b)	(872)
Total amount recognised in STRGL	(0.60%) (b)	(1,382)

(a) Percentage based on scheme assets

(b) Percentage based on present value of pension scheme liabilities

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2012 (CONTINUED)

8 TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

(a) TAX (CREDIT)/CHARGE

	<u>Year ended</u> <u>31 March 2012</u> \$'000	<u>Year ended</u> <u>31 March 2011</u> \$'000
<u>Current Tax</u>		
UK corporation tax (credit) at 26% (2011 28%)	(35,974)	(44,404)
Foreign tax suffered	17,812	26,098
Adjustment in respect of previous periods	(1,938)	-
	<u>(20,100)</u>	<u>(18,306)</u>
<u>Deferred Tax</u>		
Deferred taxation (credit) (note 16)	-	-
Tax on ordinary activities	<u>(20,100)</u>	<u>(18,306)</u>
Current tax movements recognised in the STRGL		
- FRS 17 Defined Benefit Pension	-	-
- Available-for-sale investments	-	-
Total tax credit for the year	<u>(20,100)</u>	<u>(18,306)</u>

(b) RECONCILIATION OF CORPORATION TAX CREDIT

	<u>Year ended</u> <u>31 March 2012</u> \$'000	<u>Year ended</u> <u>31 March 2011</u> \$'000
Loss on ordinary activities before tax	<u>(1,265,774)</u>	<u>(371,075)</u>
UK Corporation tax credit at 26% (2011 28%)	(329,101)	(103,901)
Effects of		
Expenses not deductible for tax purposes	24,858	(4,247)
Revenues deductible for tax purposes	(4,631)	-
Timing differences		
• Tangible fixed assets	7,216	176
• Share based payments	22,993	17,389
• Deferred Emoluments	18,423	(1,063)
• General Provisions	910	-
• Transition adjustment on adoption of FRS 25/26	11,457	12,583
• Pension	-	(1,339)
Unutilised losses for the year carried forward	211,901	35,998
Higher tax rates on overseas earnings	17,812	26,097
Adjustment in respect of previous periods	(1,938)	-
Current corporation tax credit for the year	<u>(20,100)</u>	<u>(18,306)</u>

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2012 (CONTINUED)

9. INTANGIBLE FIXED ASSETS

<u>Cost</u>	<u>Goodwill</u> \$'000
At 1 April 2011	60,351
Additions	2,757
At 31 March 2012	<u>63,108</u>
<u>Amortisation</u>	
At 1 April 2011	7,462
Charged during year	3,654
At 31 March 2012	<u>11,116</u>
<u>Net book value</u>	
At 31 March 2012	<u>51,992</u>
At 31 March 2011	52,889

All goodwill recognised in the financial statements relates to the acquisition of Lehman Brothers businesses on 13 October 2008. It is being amortised on a straight line basis over a twenty year period.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2012 (CONTINUED)

10 TANGIBLE FIXED ASSETS

<u>Cost</u>	<u>Construction In Progress</u> \$'000	<u>Long Leasehold</u> \$'000	<u>Furniture, Equipment, and Software</u> \$'000	<u>Total</u> \$'000
At 1 April 2011	33,330	12,533	588,310	634,173
Transfers	(32,354)	-	32,354	-
Additions	1,492	22	109,488	111,002
Disposals	-	-	(13,086)	(13,086)
At 31 March 2012	2,468	12,555	717,066	732,089
<u>Depreciation</u>				
At 1 April 2011	-	4,043	286,110	290,153
Charged during year	-	155	110,404	110,559
Disposals	-	-	(8,132)	(8,132)
At 31 March 2012	-	4,198	388,382	392,580
<u>Net book value</u>				
At 31 March 2012	2,468	8,357	328,684	339,509
At 31 March 2011	33,330	8,490	302,200	344,020

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2012 (CONTINUED)

11. FIXED ASSET INVESTMENTS

<u>Cost</u>	<u>Investment in Subsidiary Undertakings</u> \$'000
At 1 April 2011	34,025
Additions	-
Disposals	-
	<hr/>
At 31 March 2012	<hr/> 34,025
 <u>Provisions</u>	
At 1 April 2011 and 31 March 2012	<hr/> -
 <u>Net book value</u>	
At 31 March 2012	<hr/> 34,025
At 31 March 2011	<hr/> 34,025

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2012 (CONTINUED)

11 FIXED ASSET INVESTMENTS (CONTINUED)

The investment in subsidiary undertakings represents the following

<u>Name of Subsidiary</u>	<u>Shares/Voting Rights held</u>	<u>Country of incorporation and registration</u>	<u>Principal Business Activities</u>
Nomura International Leasing Limited	100%	Ireland	Asset Leasing
Nomura Nominees Limited	100%	England	Dormant
iBJ Nomura Financial Products (UK) plc*	100%	England	Dormant
Nomura Investment Advisor LLP	50%	England	Investment adviser
Nomura Investments (AH) Limited	100%	Guernsey	Investment
Nomura Employment Services (Isle of Man) Limited	100%	Isle of Man	Employment Services
Opsclear Limited	100%	England	Dormant
Nomura Private Equity Investment GP Limited	100%	England	Investment Manager
Nomura com Limited	100%	England	Dormant
Nomura PB Nominee Limited	100%	England	Investment
Tricorn Partners LLP – which 100% owns Tricorn Corporate Member Limited	100%	England	Investment adviser
Nomura Custody Nominees Limited	100%	England	Investment
Nomura PB Beneficial Ownership Markets Limited	100%	England	Investment
Nomura Clearance and Settlement Nominee Limited	100%	England	Investment
Nomura D1 Nominee Limited	100%	England	Investment
Nomura Derivatives Clearing Nominee Limited	100%	England	Investment
Nomura I&E Services Italy Limited	100%	England	Dormant

* - currently in members voluntary liquidation

Through Nomura Investment Advisor LLP, the Company controls the following entity

<u>Name of subsidiary</u>	<u>Shares/ voting rights held</u>	<u>Country of incorporation and registration</u>	<u>Principal business</u>
Thesan Capital S L	100%	Spain	Investment adviser

Through Tricorn Partners LLP, the Company controls the following entity

<u>Name of subsidiary</u>	<u>Shares/ voting rights held</u>	<u>Country of incorporation and registration</u>	<u>Principal business</u>
Tricorn Corporate Member Limited	100%	England	Philanthropy

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2012 (CONTINUED)

12. FINANCIAL INSTRUMENTS

Analysis of the Company's financial assets and financial liabilities by FRS 26 classification

	<u>2012</u>	<u>2012</u>	<u>2012</u>	<u>2012</u>	<u>2012</u>	<u>2012</u>
	Available- for-sale investments	Held for trading	Designated at fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets						
Available-for-sale Investments	4,588	-	-	-	-	4,588
Held for trading	-	210,508,595	-	-	-	210,508,595
Designated fair value through profit and loss	-	-	24,008,145	-	-	24,008,145
Collateral paid for securities purchased under agreements to resell	-	-	-	129,060,182	-	129,060,182
Collateral paid for securities borrowed	-	-	-	31,245,375	-	31,245,375
Other debtors	-	-	-	17,538,441	-	17,538,441
Investments - time deposits	-	-	-	632,654	-	632,654
Cash at bank and in hand	-	-	-	4,664,862	-	4,664,862
Financial Liabilities						
Held for trading	-	(198,269,361)	-	-	-	(198,269,361)
Designated fair value through profit and loss	-	-	(16,492,155)	-	-	(16,492,155)
Collateral received for securities sold under agreements to repurchase	-	-	-	-	(134,861,209)	(134,861,209)
Collateral received for securities loaned	-	-	-	-	(22,686,665)	(22,686,665)
Other creditors	-	-	-	-	(30,173,343)	(30,173,343)
Creditors (amounts falling due after more than one year)	-	-	-	-	(12,225,977)	(12,225,977)
	4,588	12,239,234	7,515,990	183,141,514	(199,947,194)	2,954,132

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2012 (CONTINUED)

12 FINANCIAL INSTRUMENTS (CONTINUED)

Analysis of the Company's financial assets and financial liabilities by FRS 26 classification
(continued)

	<u>2011</u>	<u>2011</u>	<u>2011</u>	<u>2011</u>	<u>2011</u>	<u>2011</u>
	Available- for-sale investments	Held for trading	Designated at fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets						
Available-for-sale investments	2,963	-	-	-	-	2,963
Held for trading	-	187,152,144	-	-	-	187,152,144
Designated fair value through profit and loss	-	-	18,756,291	-	-	18,756,291
Collateral paid for securities purchased under agreements to resell	-	-	-	148,713,083	-	148,713,083
Collateral paid for securities borrowed	-	-	-	27,981,431	-	27,981,431
Other debtors	-	-	-	14,647,768	-	14,647,768
Investments - time deposits	-	-	-	2,653,535	-	2,653,535
Cash at bank and in hand	-	-	-	2,559,087	-	2,559,087
Financial Liabilities						
Held for trading	-	(171,271,760)	-	-	-	(171,271,760)
Designated fair value through profit and loss	-	-	(13,014,434)	-	-	(13,014,434)
Collateral received for securities sold under agreements to repurchase	-	-	-	-	(158,710,435)	(158,710,435)
Collateral received for securities loaned	-	-	-	-	(22,420,542)	(22,420,542)
Other creditors	-	-	-	-	(21,436,876)	(21,436,876)
Creditors (amounts falling due after more than one year)	-	-	-	-	(12,767,448)	(12,767,448)
	2,963	15,880,384	5,741,857	196,554,904	(215,335,301)	2,844,807

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2012 (CONTINUED)

12 FINANCIAL INSTRUMENTS (CONTINUED)

Analysis of the Company's financial assets and financial liabilities by FRS 26 classification (continued)

Included within the loans and receivables above are the following positions with fellow Nomura Group undertakings

	<u>2012</u> \$'000	<u>2011</u> \$'000
Loans and receivables		
Collateral paid for securities purchased under agreements to resell	55,182,835	44,958,859
Collateral paid for securities borrowed	13,706,948	10,880,045
Other debtors	5,464,738	5,757,933
Investments - time deposits	404,357	2,600,508
	<hr/> 74,758,878	<hr/> 64,197,345
Financial liabilities at amortised cost		
Collateral received for securities sold under agreements to repurchase	(57,368,122)	(64,582,459)
Collateral received for securities loaned	(13,631,207)	(7,556,448)
Other creditors	(15,196,059)	(9,166,003)
Creditors (amounts falling due after more than one year)	(12,203,447)	(12,444,847)
	<hr/> (98,398,835)	<hr/> (93,749,757)

Analysis of the Company's financial assets and financial liabilities by product type

The following table analyses the Company's available-for-sale investments, held for trading and designated fair value through profit and loss financial assets and liabilities by product type

	<u>2012</u> \$'000	<u>2011</u> \$'000
Financial assets		
Equity securities	9,659,599	10,503,311
Debt securities	34,312,060	40,838,912
Derivatives	166,541,524	135,812,884
Financial Instruments designated at fair value through profit and loss	24,008,145	18,756,291
	<hr/> 234,521,328	<hr/> 205,911,398
Financial liabilities		
Equity securities	(9,194,621)	(11,346,045)
Debt securities	(22,327,154)	(23,406,317)
Derivatives	(166,747,586)	(136,519,398)
Financial Instruments designated at fair value through profit and loss	(16,492,155)	(13,014,434)
	<hr/> (214,761,516)	<hr/> (184,286,194)

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2012 (CONTINUED)

12 FINANCIAL INSTRUMENTS (CONTINUED)

Analysis of the Company's financial assets and financial liabilities by product type (continued)

Included within the financial assets and financial liabilities above are the following positions with fellow Nomura Group undertakings

	2012 \$'000	2011 \$'000
Financial assets		
Equity securities	3,874,173	2,541,934
Debt securities	146,606	400,522
Derivatives	93,317,958	81,706,738
	<u>97,338,737</u>	<u>84,649,194</u>
Financial liabilities		
Equity securities	(256,870)	(782,549)
Debt securities	(286,678)	(42)
Derivatives	(96,256,645)	(84,858,319)
	<u>(96,800,193)</u>	<u>(85,640,910)</u>

Available-for-sale investments

Available-for-sale investments include unquoted equity instruments which are measured at cost because their fair value cannot be measured reliably. As at 31 March 2012, such unquoted equity instruments measured at cost comprised of investments in other Nomura entities and market bodies which the Company is required to hold for strategic purposes. The value of such investments measured at cost held at the balance sheet date amounted to \$3,996,355 (2011 \$1,825,516).

Financial assets and liabilities designated at fair value through profit or loss

Refer to Note 1(e) (i) (b) for details of instruments on which fair value option applied.

There is no material difference between the carrying amount and the amount contractually required to be paid at maturity to holders of financial liabilities designated at fair value through profit or loss.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2012 (CONTINUED)

13. DERECOGNISED AND COLLATERALISED TRANSACTIONS

Transfers of financial assets, including pledges of collateral

In the ordinary course of business, the Company enters into transactions resulting in the transfer of financial assets to third parties which may not result in the full derecognition of the assets under FRS 26

The following table shows the carrying amount of financial assets sold or otherwise transferred which do not qualify for derecognition and continue to be recognised on the balance sheet, together with their associated financial liabilities

	<u>2012</u> <u>Financial</u> <u>assets</u> <u>\$'000</u>	<u>2012</u> <u>Financial</u> <u>liabilities</u> <u>\$'000</u>	<u>2012</u> <u>Difference</u> <u>\$'000</u>
Collateral received for securities sold under agreements to repurchase	22,309,741	(22,044,796)	264,945
Collateral received for securities loaned	2,491,749	(1,930,826)	560,923
Other	1,080,776	(1,080,776)	-
	<u>25,882,266</u>	<u>(25,056,398)</u>	<u>825,868</u>
	<u>2011</u> <u>Financial</u> <u>assets</u> <u>\$'000</u>	<u>2011</u> <u>Financial</u> <u>liabilities</u> <u>\$'000</u>	<u>2011</u> <u>Difference</u> <u>\$'000</u>
Collateral received for securities sold under agreements to repurchase	29,056,059	(26,102,310)	2,953,749
Collateral received for securities loaned	3,835,275	(3,207,986)	627,289
Other	1,466,036	(1,466,036)	-
	<u>34,357,370</u>	<u>(30,776,332)</u>	<u>3,581,038</u>

Financial asset transfers which do not result in derecognition predominantly result from secured financing transactions such as repurchase agreements or securities lending transactions. Under these types of transactions, the Company retains substantially all the risks and rewards associated with the transferred assets including market risk, issuer risk, credit risk and settlement risk. Effectively, these assets are pledged as security for borrowings, represented by the associated financial liabilities recognised. Financial assets may also be transferred, but not derecognised, as the risks and rewards associated with those assets continue to be retained by the Company through derivatives or similar instruments. In such cases, the financial asset continues to be recognised on balance sheet with an associated liability representing the cash received on the transfer as a secured borrowing.

The transactions above are conducted under standard terms used by financial market participants as well as requirements determined by exchanges where the Company acts as intermediary. These transactions are conducted with counterparties subject to the Company's normal risk control processes. The counterparties have the right to resell or repledge the transferred financial assets under standard market agreements.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2012 (CONTINUED)

13 DERECOGNISED AND COLLATERALISED TRANSACTIONS (CONTINUED)

Continuing involvement

In addition to the financial assets transferred but not derecognised and retained in their entirety on the Company's balance sheet outlined above, there are also a number of transactions in which the Company neither retains nor transfers substantially all the risks and rewards of the financial asset. As the Company retains control over those assets, it is considered to have a continuing involvement with those financial assets for accounting purposes.

Financial assets transfers which result in continuing involvement result from the partial retention of the risks and rewards associated with those assets by the Company through derivatives or similar instruments. In such cases, the financial asset continues to be recognised on balance sheet at the level of the Company's continuing involvement with a corresponding liability.

The following table shows the carrying amount of financial assets sold or otherwise transferred in which the Company has continuing involvement, together with the level of the Company's associated financial liabilities and its net economic exposure, representing the fair value of the associated derivatives or similar instruments.

<u>2012</u> <u>Total carrying value of</u> <u>financial assets with</u> <u>continuing involvement</u> \$'000	<u>2012</u> <u>Total carrying value of</u> <u>associated liabilities</u> \$'000	<u>2012</u> <u>Net economic</u> <u>exposure</u> \$'000
3,939,497	(3,941,451)	1,954
<u>2011</u> <u>Total carrying value of</u> <u>financial assets with</u> <u>continuing involvement</u> \$'000	<u>2011</u> <u>Total carrying value of</u> <u>associated liabilities</u> \$'000	<u>2011</u> <u>Net economic</u> <u>exposure</u> \$'000
4,264,495	(4,273,752)	9,257

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2012 (CONTINUED)

13 DERECOGNISED AND COLLATERALISED TRANSACTIONS (CONTINUED)

Financial assets accepted as collateral

Financial assets are accepted as collateral as part of reverse repurchases arrangements or securities borrowing transactions which the Company is permitted to sell or repledge under standard market documentation

The fair value of financial assets accepted as collateral that the Company is permitted to sell or repledge in the absence of default is \$232.9 billion (2011: \$206.8 billion). Of this amount, \$190 billion (2011: \$170.1 billion) has been sold or repledged to comply with commitments under short sale transactions or in connection with financing activities. Included within these balances are \$71 billion (2011: \$39.9 billion) of balances due to fellow Nomura Group undertakings. The corresponding obligation to return securities received which have been sold or repledged is \$4.8 billion (2011: \$5.3 billion).

14 OTHER DEBTORS

	<u>2012</u> \$'000	<u>2011</u> \$'000
Trade debtors	2,717,670	3,482,951
Broker balances	13,747,690	10,522,619
Taxation recoverable	82,734	43,050
Accrued interest and dividends receivable	348,314	437,421
Prepayments and accrued income	642,033	161,727
	<u>17,538,441</u>	<u>14,647,768</u>

Included within debtor balances above are the following balances due from fellow Nomura Group undertakings

	<u>2012</u> \$'000	<u>2011</u> \$'000
Trade debtors	419,461	805,732
Broker balances	4,499,896	4,828,002
Accrued interest and dividends receivable	14,503	13,910
Prepayments and accrued income	530,878	110,289
	<u>5,464,738</u>	<u>5,757,933</u>

Refer to note 21 for an aged analysis of Other Debtors which are past due but not impaired

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2012 (CONTINUED)

15 OTHER CREDITORS

	<u>2012</u> \$'000	<u>2011</u> \$'000
Loans and overdrafts	9,642,448	7,599,674
Trade creditors	4,465,060	4,012,645
Broker balances	14,400,488	8,580,672
Taxation Payable	9,301	26,098
Other tax and social security payable	65,221	55,850
Accrued interest and dividends payable	399,775	415,843
Accruals and deferred income	1,191,050	746,094
	<u>30,173,343</u>	<u>21,436,876</u>

Included within creditor balances above are the following balances due to fellow Nomura Group undertakings

	<u>2012</u> \$'000	<u>2011</u> \$'000
Loans and overdrafts	8,987,335	7,467,522
Trade creditors	398,184	479,001
Broker balances	5,143,167	1,133,998
Accrued interest and dividends payable	136,200	77,315
Accruals and deferred income	531,173	8,167
	<u>15,196,059</u>	<u>9,166,003</u>

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2012 (CONTINUED)

16 DEFERRED TAXATION

	<u>2012</u> \$'000	<u>2011</u> \$'000
Tangible fixed assets	19,419	11,357
FRS 26 transition liabilities	(42,303)	(57,286)
Other short-term timing differences	70,713	35,523
Unutilised tax losses	643,372	486,437
Deferred tax not provided	(691,201)	(476,031)
	-	-

Deferred taxation has been recognised at 24% (2011 26%) The Company has unutilised tax losses arising of \$2,680,716,000 (2011 \$1,870,911,000) that are available for offset against future taxable profits A deferred tax asset of \$643,372,000 (2011 \$486,437,000) has not been recognised in respect of these losses due to uncertainty surrounding the Company's future profitability

On 21 March 2012 as part of the 2012 Budget, the UK government has announced its intention to legislate to reduce the main rate of corporation tax to 24% with effect from 1 April 2012 and further by 1% per annum falling to 22% with effect from 1 April 2014 The reduction to 24% was subsequently enacted prior to 31 March 2012 under the provisions of the Provisional Collection of Taxes Act 1968 and the effect of this reduction is therefore reflected in the above calculation of the deferred tax liability The directors estimate that the effect of these changes will be to reduce the Company's unrecognised deferred tax asset to \$633,601,000

	<u>2012</u> \$'000	<u>2011</u> \$'000
Provision for deferred tax comprises		
Timing differences	47,829	(10,405)
Losses	643,372	486,437
Deferred tax not provided	(691,201)	(476,032)
Total provision for deferred tax	-	-

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2012 (CONTINUED)

17 CREDITORS FALLING DUE AFTER MORE THAN ONE YEAR

	<u>2012</u> \$'000	<u>2011</u> \$'000
Collateral received for securities sold under agreements to repurchase	-	322,601
Loans and overdrafts	4,750,977	5,126,021
Subordinated debt	7,475,000	7,318,826
	<u>12,225,977</u>	<u>12,767,448</u>

Included within creditor balances above are \$12,203,447 (2011 \$12,444,847,000) of balances due to fellow Nomura Group undertakings

Subordinated debt agreements

The amounts subject to Subordinated loan agreements are wholly repayable as shown below

	<u>Repayment date</u>	<u>2012</u> \$'000	<u>2011</u> \$'000
Long Term			
Nomura Europe Holdings plc	15 April 2013	500,000	500,000
Nomura Europe Holdings plc	23 April 2013	600,000	600,000
Nomura Europe Holdings plc	23 December 2013	1,600,000	-
Nomura Europe Holdings plc	22 April 2015	-	1,500,000
Nomura Europe Holdings plc	15 May 2015	600,000	600,000
Nomura Europe Holdings plc	Perpetual	1,625,000	1,568,826
Nomura Europe Holdings plc	24 April 2017	2,550,000	2,550,000
		<u>7,475,000</u>	<u>7,318,826</u>

The legal nature of the subordinated loans differs from that usually associated with debt. In a winding up of the Company no amount will be paid in respect of the subordinated debt until all other creditors have been paid in full.

The interest rates on the subordinated loans are based on local inter bank borrowing rates and include a margin to reflect the subordination. Rates are generally fixed quarterly.

The rates of interest applicable to the loans with maturities greater than five years are as follows

Nomura Europe Holdings plc	18 April 2017	LIBOR + 2.21%
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NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2012 (CONTINUED)

18 PROVISIONS FOR LIABILITIES AND CHARGES

	<u>2012</u> \$'000	<u>2011</u> \$'000
At 1 April	-	18,964
Used during the year	-	(18,964)
Provided during the year		
- Restructuring	-	-
	<hr/>	<hr/>
At 31 March	-	-

The Directors have made provisions which represent their best estimates of the Company's present obligations that have arisen in relation to the losses it expects to incur on restructuring costs and contracts

19. SHARE CAPITAL

2012

	<u>Number</u> '000	<u>Fully paid</u> <u>consideration</u> \$'000
US Dollar Ordinary shares of \$1 each	6,491,672	6,491,672
		<hr/>
		6,491,672

2011

	<u>Number</u> '000	<u>Fully paid</u> <u>consideration</u> \$'000
US Dollar Ordinary shares of \$1 each	5,349,132	5,349,132
		<hr/>
		5,349,132

The Company issued 42,540,588 shares to NEHS for acquisition of Nomura Italia Societa Di Intermediazione Mobiliare P A as a sale consideration and 1,100,000,000 Ordinary shares of \$1 each for consideration of \$1,100,000,000 issued during the financial year A premium of \$18,747,000 was recognised on the share issuance

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2012 (CONTINUED)

20 RESERVES

	<u>Capital redempti on reserve \$'000</u>	<u>Share- based payment expense reserve \$'000</u>	<u>Available- for-sale reserve \$'000</u>	<u>Profit and loss account \$'000</u>	<u>Other Reserve \$'000</u>	<u>Redenom ination Reserve \$'000</u>	<u>Share premium \$'000</u>
At 1 April 2011	184,499	279,917	8,189	(2,471,580)	(100,337)	25,921	-
Transfer from Other reserve on redemption of share capital	-	-	-	-	-	-	-
Retained loss for the year	-	-	-	(1,245,674)	-	-	-
Actuarial loss on pension scheme	-	-	-	(2,525)	-	-	-
Share-based payment expense for the year	-	188,943	-	-	-	-	-
Gain on available- for-sale investments	-	-	1,890	-	-	-	-
Realised gains on available-for-sale investments reclassified to the profit and loss account on disposal	-	-	(4)	-	-	-	-
Share premium	-	-	-	-	-	-	18,747
At 31 March 2012	184,499	468,860	10,075	(3,719,779)	(100,337)	25,921	18,747

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2012 (CONTINUED)

21 FINANCIAL RISK MANAGEMENT

The Company's activities involve both the assumption and transfer of certain risks which the Company must manage. The most important types of risk are market risk, credit risk (including counterparty credit risk), liquidity risk, cash flow interest rate risk and operational risk. Market risk includes currency risk, price risk and fair value interest rate risk.

For further detail, please refer to the below website where Nomura Group Pillar 3 disclosures are made:

<http://www.nomuraholdings.com/company/group/europe/pdf/p3d.pdf>

The Role of Financial Instruments

The Company holds or issues financial instruments for two main purposes:

- *Trading Activities* - to facilitate the needs of its client base and for trading purposes on its own account
- *Financing Activities* - to finance its operations and to manage the interest rate and currency risk arising from its financing activities

Trading Activities

Trading includes both customer-orientated activities and positions that are taken for the Company's own account. These two activities are managed together.

To meet the expected needs of its client base the Company maintains access to market liquidity, both by engaging in two way business with other market makers and by carrying an inventory of cash and derivatives products. The Company also takes its own positions in the interest rate, credit, equity and foreign exchange markets based on expectations of future client demand and its own views on the future direction of markets.

Within its trading activities, the Company employs standard market terms and conditions.

The financial instruments listed below are actively used by the Company. They are used both to facilitate customer business, for own account trading as well as to manage risk. In the ordinary course of business these products are valued on a mark to market basis, with the resulting income being recorded in trading profits.

Cash Products	Government bonds, corporate bonds, asset backed bonds, convertible bonds and equities
Currency and Commodity Derivatives	Forward FX contracts, currency swaps, currency options, commodity forwards, commodity swaps and commodity options
Interest Rate Derivatives	Interest rate swaps, forward rate agreements, forwards, options and combinations of these products
Equity Derivatives	Single stock, equity, index and variance swaps, options, warrants and combinations of these products
Credit Derivatives	Asset swaps, credit default swaps, credit options, credit baskets, credit linked notes, synthetic CDO tranches, CDO squared tranches and combinations of these

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2012 (CONTINUED)

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

The Role of Financial Instruments (continued)

The interest rate, credit, equity and foreign exchange risks that arise from activities in these products are managed through the Company's financial risk management objectives and policies, which are described in more detail in the next section

Financing Activities

The responsibility for unsecured funding, managing the liquidity pool and any resulting interest rate and foreign exchange risk lies with the Treasury function. The Treasury function is managed globally and reports to the Chief Financial Officer (CFO) and is fully independent of the trading activities. The Treasury function's primary responsibility is to pro-actively manage the liquidity and financing needs of the Company via a diversified financing programme, supported by a comprehensive and tested contingency plan. The Treasury function is not authorised to take positions for its own account and it is not judged on the basis of profit.

The distribution of sources of funding and their maturity profile are actively managed in order to ensure access to funds and to avoid a concentration of funding at any one time or from any one source. The main funding sources used by the Treasury function include capital, intercompany borrowings, long term debt, and committed credit facilities. We typically fund our trading activities on a secured basis through repurchase agreements, we believe these funding activities in the secured markets are more cost-effective and less credit sensitive than financing in the unsecured market, we manage the risks by transacting with a large number of counterparties over various durations with a diverse range of security types.

Risk Management Structure

The Board of Directors is ultimately responsible for identifying and controlling risks through its overall risk management approach and approval of risk strategies and principles. It is advised by the Board Risk Committee of its immediate parent, NEHS. Risk reporting and control is undertaken by the following departments and committees within the Company.

Capital Allocation

The annual process for budgeting entity level capital needs is part of the ICAAP exercise which takes place in conjunction with the budget related processes. The setting of all current and budgeted capital requirements relating to UK-regulated entities is coordinated and challenged by the Financial and Regulatory Control functions within EMEA Finance. The Financial and Regulatory Control functions are also responsible for monitoring compliance with capital usage limits to ensure capital adequacy targets are met.

Treasury Department

The Treasury Department monitors compliance with the Company's liquidity, currency and cash flow policies, including that described under Financing Activities above.

Corporate Risk Management Department

The Corporate Risk Management department monitors and reports compliance with internally set market risk limits and is completely independent of the business areas.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2012 (CONTINUED)

21 FINANCIAL RISK MANAGEMENT (CONTINUED)

Risk Management Structure (continued)

Investment Evaluation and Credit Department

The Investment Evaluation and Credit department monitors and reports compliance with internally set credit limits and is completely independent of the business areas

Finance Department

The Finance Department monitors compliance with internally and externally set regulatory limits and guidelines

Operational Risk Management Department

The Risks and Controls Department monitors, evaluates, conducts forensic investigations on operational risk issues and the internal control framework and reports on these to both the Audit Committee and the Executive Committee. The Risks and Controls department is completely independent and separate from the Internal Audit function

Risk Management Committee

The Risk Management Committee considers and monitors the operational and market risk exposures. On behalf of the Nomura Europe Strategic Management Committee it is also responsible for considering implementation issues arising from new business to ensure a controlled and structured process

Internal Audit

The Nomura Group Internal Audit Department has responsibility to examine, evaluate and make recommendations on the appropriateness and the effectiveness of the internal control of all business and operational activities

The Global Head of Internal Audit has an independent reporting line to the Internal Controls Committee, the Chairman of the NHI Audit Committee and the Audit Mission Directors in Tokyo

In EMEA, the Head of Internal Audit has an independent reporting line to the Chairmen of the Audit Committees of NEHS and the Group. The EMEA Head of Internal Audit also reports to the Global Head of Internal Audit and locally to the Chief Executive Officer of NEHS

Internal Audit adopts a risk-based audit approach. A risk assessment is formally carried out annually using a globally agreed methodology and, where necessary, this is updated throughout the year as a result of continuous monitoring, on completion of audits and in response to internal or external events or incidents

The outcome of the Internal Audit risk assessment is used as a basis for determining the annual Audit Plan. Any regulatory or other required or expected audits are added to the Plan as well as any Management Requests or Special Projects initiated by Internal Audit, such as pre-implementation reviews, new business reviews or one-off assignments in response to significant changes in the regulatory or business environment

Audit execution is also risk-based. Key controls are identified and a variety of techniques are used to evaluate the adequacy of the design and the effectiveness of the controls, including inquiry and observation, sample testing and, in some cases, substantive testing

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2012 (CONTINUED)

21 FINANCIAL RISK MANAGEMENT (CONTINUED)

Internal Audit reports its findings and the agreed action plans, target dates and responsible owners to the relevant Audit Committee(s), Senior Management and Line Management as appropriate

The status of outstanding action plans is reviewed regularly and reported to Management periodically. Internal Audit also performs validation work for action plans which Management represents as having been completed

Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, equity prices and other parameters. The Company classifies exposures into either trading or non-trading portfolios. Trading portfolios are exposed to market risk and managed and monitored daily based on a Value-at-Risk methodology which takes into account the variation and the interdependency between market variables. Non-trading positions are managed and monitored using other sensitivity analysis.

A. Market Risk – Trading (including financial assets and financial liabilities designated at fair value through profit and loss)

Within the Company, there is a formal process for the allocation and management of Economic Capital ("NCAT") which is facilitated through the capital allocation agenda discussed by the Capital Allocation Committee. The Executive Committee is chaired by the President and Chief Executive Officer of the Company. Day to day responsibility for the NCAT calculation and the setting and monitoring of risk limits, within the risk control framework, rests with the independent Risk Management department, the head of which reports to the Chief Risk Officer of the Company and the Global Head of Risk Management.

NCAT is the potential economic loss over a one-year horizon given a confidence interval of 99.95%. NCAT captures market, liquidity, credit, event, counterparty, loan and private equity risk. NCAT is an effective tool for performance evaluation and capital allocation, but not for capital adequacy. In order to ensure capital adequacy, financial soundness is assessed under stressed conditions, i.e. worst-case risk factor moves. Stress testing is undertaken quarterly on the basis of historical scenario analysis.

The Company uses the statistical technique known as Value-at-Risk (VaR) as one of the tools used to measure, monitor and review the market risk exposures of its trading portfolios. The Risk Management Department calculates VaR numbers daily for all relevant businesses and these figures are included in daily reporting to senior management.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2012 (CONTINUED)

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market Risk (continued)

A. Market Risk – Trading (continued)

Value at Risk

VaR is a measure of the potential loss in the value of our trading positions due to adverse movements in markets over a defined time horizon with a specified confidence level. Market risks that are incorporated in the VaR model include equity prices, interest rates, credit, foreign exchange rates, and commodities with associated volatilities and correlations. As part of our continuous investment to improve risk modelling and remain in line with industry good practise, Nomura enhanced the official VaR model from a 'variance-covariance' type model to a 'historical simulation' model in October 2011. This methodology change improved the capture of non-linear risks and led to an increased number of time series used in the VaR calculation to capture various basis risks. The two VaR models were run in parallel on the global portfolio from early 2011 until the switch-over in October 2011 to ensure that the model change implications and impacts were well understood. On average, from May to September 2011, a 23% VaR increase was observed from the old to the new VaR model, mainly as a result of better risk capture (e.g. basis risk) and more realistic modelling of tail events. As a result of this model change, Nomura was well prepared for the change in Basel standards that took effect at the end of December 2011.

VaR Methodology and Assumptions

Nomura's VaR methodology now uses historical simulation to estimate potential profit or loss. Historical market moves are repeatedly applied to the Company's current exposure, forming a distribution of simulated portfolio returns. From this distribution the required potential losses can be estimated at required confidence levels (probabilities).

VaR is calculated across the Company at a 99% confidence level. 1-day VaR is used for internal risk management and limits, and 10-day VaR is used for regulatory capital. The 10-day VaR is calculated using actual 10-day historical market moves. For internal information purposes Nomura also calculates the '1% VaR' which represents the potential profits from the same distribution. Differences between 99% and 1% measure can be used to demonstrate that markets do not always follow a simple statistical probability model. Additionally, Nomura calculates other measures used to complement VaR under recent regulation known as 'Basel 2.5'. One of these, Stressed-VaR (SVaR) is calibrated on a one-year window from a period of financial stress. All VaR and SVaR numbers are calculated within the same system using equivalent assumptions.

The VaR model uses a default historical time window of two years (520 business days). For risk management and back testing (see below), Nomura uses a weighted VaR. For the calculation of VaR, the probability weight assigned to each P&L in the historical simulation scenarios depends on when it occurred. The older the observation, the lower the weight. An exponential weighing scheme is used with the exponential weights set to 0.995. This choice of parameter implies a weighted average of the data set of 159 business day (just over 7 months).

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2012 (CONTINUED)

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market Risk (continued)

A Market Risk – Trading (continued)

The SVaR calculation uses one year of market data from 'a period of financial stress'. The one-year window is calibrated to be the one with the largest SVaR, given the Company's current portfolio. The historical data used for SVaR is not exponentially weighted. Given a set of historical market moves, Nomura's VaR model calculates revenues impacts for current portfolio using sensitivities ("Greeks"). Using second order sensitivities ("gamma") for equity, rates and foreign exchange, the VaR model is able to account for the non-linear pay-off of options. Material basis risks are captured either by using different time series (e.g. stock vs ADR) or by using sensitivities and basis time series (e.g. Bond / CDS credit spread basis).

Nomura's VaR model uses time series for each individual underlying whenever available. Approximately 25,000 time series are currently maintained in the Company's market database. Time series are generally available for all assets but where a complete time series (i.e. 520 business days) cannot be found for a specific underlying, the VaR model will follow a 'proxy logic' to map the exposure to an appropriate time series (for example, this would be the case for an option on a recently issued stock). The level of proxying taking place in the VaR model is carefully monitored through internal risk management processes and there is a continual effort to source new time series to use in the VaR calculation.

VaR Backtesting

The performance of the company's VaR model is constantly monitored to ensure that it remains fit for purpose. The main approach for validating VaR is to compare 1-day P&L with the corresponding VaR estimate. With a 99% VaR measure, one expects 2-3 exceptions (i.e. loss is larger than VaR) a year. We backtest the VaR model at a Company level as well as at a number of lower levels, and the backtesting results are reviewed on a monthly basis by the Company's risk management function.

Limitations and Advantages of VaR

The main advantage of VaR as a risk measure is that it is able to aggregate risk from different asset classes (in contrast with other risk measures sensitivities that cannot be easily aggregated directly). The risk from different divisions of the Company can therefore easily be compared and aggregated using VaR.

As a risk measure, however, VaR has well documented limitations. One of the main disadvantages with VaR is that it is a backward looking risk measure. Using historical market moves to infer future P&L for a firm means that we assume that only events that have actually happened are relevant to analyse the risk of a portfolio.

Moreover, VaR only gives an estimate of the loss at a stated (99th) percentile (i.e. in one out of 100 days the loss will be greater than 1d VaR), but not what magnitude of loss that can take place whenever the loss does exceed VaR.

VaR as a risk measure is most appropriate for liquid markets and may understate the financial impact of severe events for which there is no historical precedent or where market liquidity may not be reliable. In particular, historical correlations can break down in extreme markets leading to unexpected relative market moves. This may make positions that off-set each other in VaR modelling move in the same direction thus increase losses.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2012 (CONTINUED)

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market Risk (continued)

A Market Risk – Trading (continued)

Nomura is aware of the limitation of the Company's VaR model and uses VaR only as one component of a diverse risk management process. Other metrics to supplement VaR include stress testing and sensitivity analysis.

The table below illustrates, by major risk category, the VaR during the financial years ended 31 March 2012 and 31 March 2011. It shows the highest, lowest and average VaR during the financial year.

	Average VaR	Min VaR	Max VaR	Average VaR	Min VaR	Max VaR
	<u>2012</u>	<u>2012</u>	<u>2012</u>	<u>2011</u>	<u>2011</u>	<u>2011</u>
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Equity VaR *	10,227	4,926	20,860	13,882	6,865	21,872
Fixed Income VaR **	48,641	21,357	70,374	18,628	15,463	23,477
Securitized Products VaR *	1,954	-	6,512			
Credit VaR *	47,139	19,911	67,082			
Interest Rates VaR *	11,811	7,720	20,125			
Inflation VaR *	766	245	2,251			
FX VaR *	11,257	7,638	17,324	12,036	6,395	23,311
Commodity VaR *	52	-	1,786	86	-	512
Diversification	39,202			37,090		
Total ***^	44,003	17,408	66,910	26,170	15,308	45,108

* only under new model from 1st October

** Fixed Income broken into greater granularity in new model, 2012 Fixed Income total is zero correlated sum of parts for comparison to 2011 only

*** Total average for both models

^ The total VAR figure shown for the Company as a whole is less than the arithmetic sum of the individual risk categories due to the effects of diversification

The total average, minimum and maximum VaR values are shown over the full annual period. Due to the change in methodology a year on year comparison is not appropriate. Therefore the more granular split is shown only as an average since the model change.

Nomura's VaR was calculated using a variance-covariance approach up until month end September 2011. Following regulatory approval, from month end October 2011 and onwards, a new Historical Simulation calculation has been used to compute VaR.

In practice, the actual trading results will differ from the VaR calculation and, in particular, the calculation does not provide a meaningful indication of profits and losses in stressed market conditions. The effectiveness of VaR can be assessed by a comparison of actual daily trading gains/losses with the estimated VaR, a process known as back testing.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2012 (CONTINUED)

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market Risk (continued)

A. Market Risk – Trading (continued)

Non-VaR methodology and assumptions

Some of the Company's private equity assets are not included within the VaR calculations shown above. The most material of these assets is the exposure to Nomura Investments (AH) Limited. A sensitivity analysis has been performed on this asset to ascertain the impact of a change in the housing market on its value.

The analysis was undertaken by stressing the output of the valuation model using assumptions of reasonable possible market moves at this time. The current discounted cash flow (DCF) model already establishes a prudent valuation basis by incorporating an immediate house price reduction of -10% as well as a recessionary event lasting 3 years from the beginning of January 2012. In addition, a 30% discount is then applied to the overall equity valuation derived from the DCF model.

The impact of a +5% increase in the equity value derived from the model was a \$52,001,472 (2011: \$51,096,302) increase in value, whereas a -10% reduction led to a \$104,002,944 (2011: \$102,192,604) decline.

B Market Risk – Non-Trading

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Board has established limits on the interest rate gaps for stipulated periods. Positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within the established limits.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. During the course of the Treasury department's financing activities there is often a need to swap surplus flows in one currency into another currency, a process achieved using currency swap transactions. The Company is exposed to currency risk in respect of certain foreign currency denominated loans. This exposure is managed on a portfolio basis. The Board has set limits on positions by currency. Positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within established limits. Hedge accounting is not applied.

In the cases of both interest rate and currency risk the Company does not believe, after taking account of the portfolio management and hedging strategies in place, that there is a material exposure to non-trading market risk. On this basis no sensitivity analysis is presented.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2012 (CONTINUED)

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk

Credit Risk Management

Credit risk refers to the potential loss in the value of a transaction because of a counterparty or issuer failing to perform its contractual commitment. This type of risk is reduced through diversification, effective credit analysis of counterparties, enforcement of credit limits by country and by counterparty, management of credit exposure through netting arrangements, and the maintenance of adequate collateral to secure the commitments of counterparties. Credit derivatives are also used to reduce exposure or to hedge credit risk with respect to issuers.

The Company's Credit Risk Management Department is responsible for managing credit risks to which the Company is exposed.

Principal investment decisions are taken by senior management under advice from the credit function. The Company's Investment Evaluation and Credit Department undertakes due diligence for potential principal investments, current principal investments and underwriting positions that are being considered.

Counterparty exposure is managed through a process of limit setting and exception reporting with credit policy setting the maximum exposure and tenor based on internal credit rating. The Company uses a scale of internal ratings that mirror the credit-rating agencies' rating scales. Changes to credit policy need to be approved by the board, as do all credit actions for the month. Credit Policy is set at a Global level for the Nomura Group.

Derivative exposure is calculated using a statistical methodology and trades are booked against credit lines. Credit derivatives exposure is calculated taking into account the credit quality of the underlying issue and the counterparty. The Company trades using market convention documentation and, where appropriate, credit enhancements will be added to the documentation.

As described above, the Company enters into netting arrangements to mitigate its exposure to credit loss. The impact of offsetting financial assets and financial liabilities which are subject to netting agreements is not reflected in the balance sheet.

Credit Risk Exposure

The Company's maximum exposure to credit risk at the balance sheet date is disclosed below, based on the carrying amount of the financial assets the Company believes is subject to credit risk, without taking account of any collateral held or any other credit enhancements. Certain off balance sheet instruments which expose the Company to a risk of loss due to default by the parties underlying these contracts are also disclosed. Collateral is held on financial assets held for trading, financial assets designated at fair value through profit and loss, collateral paid for securities purchased under agreements to resell and collateral paid for securities borrowed. The exercise of collateral will lead to a significant reduction in the potential loss in the value of the corresponding financial asset in the event of a counterparty or issuer failing to perform its contractual commitment.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2012 (CONTINUED)

21 FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk Exposure (continued)

	<u>Maximum Exposure to Credit Risk 2012 \$m</u>	<u>Maximum Exposure to Credit Risk 2011 \$m</u>
Available-for-sale debt investments	5	3
Financial assets held for trading	210,509	187,152
Financial assets designated at fair value through profit and loss	24,008	18,756
Collateral paid for securities purchased under agreements to resell	129,060	148,713
Collateral paid for securities borrowed	31,245	27,981
Other debtors	17,538	14,648
Investments – time deposits	633	2,654
Cash at bank and in hand	4,665	2,559
	<u>417,663</u>	<u>402,466</u>
Commitments to extend credit	1,904	1,588
Other commitments	6	10
	<u>1,910</u>	<u>1,598</u>
Total exposure to credit risk	<u>419,573</u>	<u>404,064</u>

Other credit enhancements include netting agreements which provide protection to reduce the risks of counterparty default and, in some cases offset the Company's exposure with the same counterparty, which provides a more meaningful presentation of balance sheet credit exposure. Also included in this balance are credit derivatives and other financial guarantee products which are used to hedge the Company's exposure to credit risk.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2012 (CONTINUED)

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk Exposure (continued)

The credit quality of financial assets and off balance sheet commitments which are subject to credit risk, that are neither past due nor impaired, is summarised below. The credit ratings are determined by the Company's internally determined public rating agency equivalents.

	<u>Maximum Exposure to Credit Risk</u> <u>2012</u> \$m	<u>Maximum Exposure to Credit Risk</u> <u>2011</u> \$m
Credit Rating		
AAA	18,269	29,006
AA	25,509	49,047
A	111,572	98,956
BBB	191,783	166,909
Non-Investment grade	53,765	44,426
Unrated	16,766	14,122
Total exposure to credit risk by credit rating	417,664	402,466

The unrated balance represents the pool of counterparties which individually do not generate material credit risk for the Company and which do not require rating under the Company's credit management policies. This pool is highly diversified, subject to limits, and monitored on a regular basis.

Included in the non-investment grade exposure is the fair value of various credit derivative contracts with monoline insurers. These positions were entered into by the structured credit trading business of Global Markets in Europe and are classified as financial assets held for trading. The Company is currently negotiating with the insurers to settle the outstanding amounts.

Concentrations of Credit Risk

Concentrations of credit risk may arise from trading, securities financing transactions and underwriting activities, and may be impacted by changes in political or economic factors. Nomura's significant single concentrations of credit risk were with strongly rated credit institutions in the US and Europe. These concentrations generally arise from taking trading securities positions and may include securities pledged as collateral.

The Company is exposed to significant counterparty credit risk from fellow Nomura Group undertakings. The maximum credit exposure to fellow Nomura Group undertakings is \$160 billion (2011: \$140 billion) and is rated using the Nomura Group's credit rating of BBB (2011: 'BBB') as below.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2012 (CONTINUED)

21 FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (continued)

Amounts past due but not impaired

Amounts which are past due but not impaired are those amounts which the Company believes are past due but still recoverable or which are sufficiently collateralised such that the fair value of the collateral pledged is sufficient to offset the amount of the outstanding obligation

An ageing analysis of amounts past due but not impaired is provided in the table below

	<u>Less than 91 days</u>	
	<u>2012</u>	<u>2011</u>
	<u>\$'000</u>	<u>\$'000</u>
Other debtors	891,439	1,274,486
Total	<u>891,439</u>	<u>1,274,486</u>

Impaired financial assets

The Company assesses whether there is any objective evidence that a financial asset is impaired at each balance sheet date. An impairment loss is incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, the loss event has an impact on estimated future cash flows, after taking into account any collateral held, and if the impact of that loss can be reliably estimated.

The amount charged to profit and loss for assets subject to impairment losses during the period is \$Nil (2011: \$Nil).

As at 31 March 2012 the cumulative impairment loss on available-for-sale investments was \$Nil (2011: \$Nil).

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2012 (CONTINUED)

21 FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity Risk

Liquidity Risk Management

The Company defines liquidity risk as the potential inability to meet financial obligations as they become due. We therefore seek to ensure adequate liquidity across market cycles and through periods of stress. The Company's liquidity management includes monitoring projected contractual and contingent cash flows and maintaining liquidity and funding contingency plans.

We assess the firm's liquidity requirements under various stress scenarios with differing levels of severity over multiple time horizons. We evaluate these requirements under company-specific and broad market wide events, including potential credit rating downgrades at the parent company and subsidiary levels that may impact us by loss of access to unsecured capital markets, additional collateral posting requirements, limited or no access to secured funding markets and other events. We call this risk analysis our "Maximum Cumulative Outflow" ("MCO") framework.

The liquidity risk appetite for the Company has been set and is fully integrated within the Firm's overall risk appetite framework, which defines the types and levels of risk the Firm is willing to accept in pursuit of its strategic objectives within the MCO framework.

To ensure that the Company has sufficient reserves to guard against any unforeseen event, the Treasury department requires that the businesses operate within unsecured funding limits.

In addition, a key operating principle of the Treasury department is to withstand market shocks for periods lasting up to one year without either issuing new unsecured financing or forced liquidation of assets. This is achieved by maintaining sufficient long-term debt and equity to meet the cash capital requirements of all the Company's assets and holding a global portfolio of cash and highly liquid, unencumbered securities that may be sold or pledged to provide liquidity to meet immediate requirements.

The firm is compliant with the UK regulatory requirements on liquidity.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2012 (CONTINUED)

21 FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity Risk (continued)

Contractual Maturity Table

The table below shows the Company's financial liabilities by contractual maturity remaining, taking into account early redemption features. Derivative contracts and other financial instruments contained within the Company's trading portfolio and other instruments containing embedded derivatives (including structured note issuances and other financial liabilities designated at fair value) are presented at their fair values. All other amounts represent undiscounted cash flows payable by the Company arising from its financial liabilities. Perpetual cashflows are shown for a period of ten years. Derivatives are disclosed at fair value on demand with the exception of gross settled derivatives, which are shown by contractual maturity remaining. Financial liabilities designated at fair value are disclosed based on their earliest redemption date. This presentation is considered to reflect the liquidity risk arising from the Company's financial liabilities and is consistent with how this risk is managed by the Company.

	<u>On</u> <u>demand</u> <u>2012</u> \$m	<u>Less than</u> <u>30 days</u> <u>2012</u> \$m	<u>31 – 90</u> <u>days</u> <u>2012</u> \$m	<u>91 days</u> <u>– 1 year</u> <u>2012</u> \$m	<u>1 – 5 years</u> <u>2012</u> \$m	<u>Later</u> <u>than 5</u> <u>years</u> <u>2012</u> \$m	<u>Total</u> <u>2012</u> \$m
Financial liabilities held-for-trading	190,628	3,055	2,126	2,016	415	30	198,270
Financial liabilities designated at fair value	2,299	3,153	751	1,316	7,727	1,248	16,494
Collateral received for securities sold under agreements to repurchase	34,231	75,115	17,517	7,998	-	-	134,861
Collateral received for securities loaned	21,919	768	-	-	-	-	22,687
Other Creditors	18,650	2,875	532	6,516	-	-	28,573
Creditors (amounts falling due after more than one year)	-	-	-	-	8,051	4,175	12,226
	267,727	84,966	20,926	17,846	16,193	5,453	413,111
Other commitments	-	-	-	347	1,008	549	1,904
Standby letters of credit and other guarantees	-	-	-	-	-	6	6
	-	-	-	347	1,008	555	1,910
Total exposure to liquidity risk	267,727	84,966	20,926	18,193	17,201	6,008	415,021

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2012 (CONTINUED)

21 FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity Risk (continued)

Contractual Maturity Table

	<u>On</u> <u>demand</u> <u>2011</u> \$m	<u>Less</u> <u>than 30</u> <u>days</u> <u>2011</u> \$m	<u>31 – 90</u> <u>days</u> <u>2011</u> \$m	<u>91 days</u> <u>– 1 year</u> <u>2011</u> \$m	<u>1 – 5 years</u> <u>2011</u> \$m	<u>Later</u> <u>than 5</u> <u>years</u> <u>2011</u> \$m	<u>Total</u> <u>2011</u> \$m
Financial liabilities held-for-trading	164,537	2,360	1,749	2,339	278	9	171,272
Financial liabilities designated at fair value	5,998	2,817	497	1,387	1,227	1,088	13,014
Collateral received for securities sold under agreements to repurchase	20,063	91,705	25,366	21,576	-	-	158,710
Collateral received for securities loaned	21,122	1,169	130	-	-	-	22,421
Other creditors	12,330	1,471	3,535	2,913	-	-	20,249
Creditors (amounts falling due after more than one year)	-	30	15	146	9,714	4,646	14,551
	224,050	99,552	31,292	28,361	11,219	5,743	400,217
Other commitments	-	-	-	262	1,307	29	1,598
Standby letters of credit and other guarantees	-	-	-	-	-	8	8
	-	-	-	262	1,307	37	1,606
Total exposure to liquidity risk	224,050	99,552	31,292	28,623	12,526	5,780	401,823

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2012 (CONTINUED)

21 FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity Risk (continued)

Contractual Maturity Table

The table below shows the maturity profile of the Company's financial assets. The analysis into maturity groupings is based on the remaining period to the contractual maturity date or, if earlier, the expected date the assets will be realised.

	<u>On</u> <u>demand</u> <u>2012</u> \$m	<u>Less</u> <u>than 30</u> <u>days</u> <u>2012</u> \$m	<u>31 - 90</u> <u>days</u> <u>2012</u> \$m	<u>91 days</u> <u>- 1 year</u> <u>2012</u> \$m	<u>1 - 5 years</u> <u>2012</u> \$m	<u>Later</u> <u>than 5</u> <u>years</u> <u>2012</u> \$m	<u>Total</u> <u>2012</u> \$m
Cash at bank and in hand	4,665	-	-	-	-	-	4,665
Available-for-sale Investments	5	-	-	-	-	-	5
Financial assets held for trading	203,565	2,684	1,805	2,032	395	28	210,509
Financial assets designated at fair value	3,450	5,543	572	2,252	10,680	1,511	24,008
Collateral paid for securities purchased under agreement to resell	8,321	80,614	25,172	10,136	4,810	7	129,060
Collateral paid for securities borrowed	27,399	3,208	638	-	-	-	31,245
Other debtors	15,657	891	-	-	-	-	16,548
Investments - time deposits	633	-	-	-	-	-	633
Total exposure to liquidity risk	263,695	92,940	28,187	14,420	15,885	1,546	416,673

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2011 (CONTINUED)

21 FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity Risk (continued)

Contractual Maturity Table

	<u>On</u> <u>demand</u> <u>2011</u> \$m	<u>Less</u> <u>than 30</u> <u>days</u> <u>2011</u> \$m	<u>31 – 90</u> <u>days</u> <u>2011</u> \$m	<u>91 days</u> <u>– 1 year</u> <u>2011</u> \$m	<u>1 – 5 years</u> <u>2011</u> \$m	<u>Later</u> <u>than 5</u> <u>years</u> <u>2011</u> \$m	<u>Total</u> <u>2011</u> \$m
Cash at bank and in hand	2,559	-	-	-	-	-	2,559
Available-for-sale Investments	3	-	-	-	-	-	3
Financial assets held for trading	181,145	2,049	1,606	2,059	288	5	187,152
Financial assets designated at fair value	1,499	10,219	1,107	1,461	3,673	797	18,756
Collateral paid for securities purchased under agreement to resell	8,100	91,852	27,406	21,077	278	-	148,713
Collateral paid for securities borrowed	23,303	4,183	484	11	-	-	27,981
Other debtors	12,760	1,274	-	-	-	-	14,034
Investments - time deposits	2,654	-	-	-	-	-	2,654
Total exposure to liquidity risk	232,023	109,577	30,603	24,608	4,239	802	401,852

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2012 (CONTINUED)

21 FINANCIAL RISK MANAGEMENT (CONTINUED)

Operational Risk

The Company defines operational risk as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition is based on the standard Basel definition and excludes strategic risk (the risk of loss as a result of poor strategic business decisions), but includes the risk of breach of legal and regulatory requirements, and the risk of damage to Nomura's reputation if caused by an operational risk. As defined by the "Regulations for System Risk Management", System Risk is considered to be a component of operational risk as defined above.

The Company uses the Nomura Group's Operational Risk framework for the management of the Company's operational risk and this is outlined in the Global Operational Risk Management Minimum Standards and Policy of the Nomura Group.

The Operational Risk Management Framework consists of the following core products and services:

Operational Risk Event Reporting – a process for the identification, reporting and management of operational risk events which could have an impact on the Nomura Group.

Risk and Control Self Assessment ("RCSA") – a periodic self assessment of risks and control effectiveness including any specific remediation.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2012 (CONTINUED)

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

Operational Risk (continued)

Key Risk Indicators ("KRIs") – metrics used to monitor and manage the business exposure to risk
Scenario analysis – a process to identify low frequency and high severity events These core components are used to identify the operational risk profile within the Company and ensure this is in accordance with the risk appetite set by the Nomura Group Integrated Risk Management Committee on behalf of the Nomura Group Board

Fair values of financial assets and financial liabilities

All financial instruments held or issued for trading purposes are carried in the financial statements at fair value which is determined using market values, option pricing models or by discounting expected future cash flows at prevailing interest rates

The carrying value of financial instruments not measured at fair value is a reasonable approximation of fair value for the majority of these holdings due to the short-term nature of these financial assets and liabilities

Financial instruments valued using unobservable market data

Certain financial assets and liabilities are valued using valuation techniques which rely on parameters which are not observable in the market due to an absence of equivalent, current, market transactions or observable market data

These valuation techniques are based on assumptions As a result, the fair value calculated using these valuation techniques will change if the underlying assumptions change The potential impact of using reasonably possible alternative assumptions to value these financial instruments at the balance sheet date is plus and/or minus \$47,493,804 (2011 \$56,254,942)

Where the use of valuation techniques with significant unobservable parameters generates a gain or loss at inception, this is deferred over the life of the contract, until the parameters become observable or the instrument is terminated Changes in fair value after inception are recognised in the income statement The total fair value change recognised in profit or loss attributable to these financial instruments at balance sheet date is \$(56,795,000) (2011 \$41,749,354)

The amounts not recognised during the year relating to the difference between the transaction price and the fair value determined using a valuation technique with unobservable parameters is shown in the table below

	2012 \$'000	2011 \$'000
As at 1 April	34,669	4,894
New transactions	2,007	87,073
Redemptions and terminations	(10,295)	(57,298)
As at 31 March	26,381	34,669

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2012 (CONTINUED)

21 FINANCIAL RISK MANAGEMENT (CONTINUED)

Gains and losses on financial assets and financial liabilities held or issued for trading

The net gain/ (loss) from trading in financial assets and financial liabilities shown in the profit and loss account includes the following

	<u>2012</u>	<u>2011</u>
	<u>\$m</u>	<u>\$m</u>
Bond and equity derivatives	(1,282)	3,503
Convertible bonds	(358)	19
Equities	3,943	(2,158)
Warrants	441	580
Government bonds	613	33
Bank and corporate bonds	130	219
Interest rate derivatives	354	238
Currency derivatives	(222)	(68)
Credit derivatives	(868)	134
	<u>2,751</u>	<u>2,500</u>

The information provided in the table above is shown on a pure product split basis, with no matching of the gains and losses on derivative contracts being offset against those on the underlying position. A significant amount of trading takes place on a strategy basis across a range of instruments and is managed accordingly.

22 FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions have been applied in determining the fair values of financial instruments

- The fair value of loans and receivables and other liabilities due within 12 months are assumed to approximate to their carrying values
- Financial assets classified as available for sale are measured at fair value by reference to quoted market prices when available. If quoted market prices are not available, then fair values are estimated using a valuation model
- Financial assets and liabilities designated at fair value through profit and loss and derivatives are measured at fair value by reference to quoted market prices when available. Such models are based wherever possible on assumptions supported by observable market prices or rates. These valuation techniques are based on assumptions. As a result, the fair value calculated using these valuation techniques will change if the underlying assumptions change. The potential impact of using reasonably possible alternative assumptions to value these financial instruments has not been disclosed as, due to the Bank's transfer of risks to other Nomura Group companies, it is not deemed significant.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2012 (CONTINUED)

22. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy

Level 1 - quoted prices in active markets for the same instrument (ie without modification or repackaging)

Level 2 - quoted prices in active markets for similar assets or liabilities or other valuation techniques for which all significant inputs are based on observable market data

Level 3 - valuation techniques for which any significant input is not based on observable market data

The following table presents information about the Company's financial assets and financial liabilities measured at fair value within the fair value hierarchy, based on the transparency of inputs into the valuation techniques used by the Company to determine such fair values. Financial assets and financial liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement of the financial instrument.

As at 31 March 2012

	<u>Level 1</u> \$'000	<u>Level 2</u> \$'000	<u>Level 3</u> \$'000	<u>Total</u> \$'000
Financial Assets				
- Equities	2,597,984	6,832,147	229,468	9,659,599
- Debt securities and loans	14,616,492	19,450,098	245,470	34,312,060
- Derivatives	453,832	152,238,541	13,849,151	166,541,524
Designated at fair value through profit and loss	-	23,722,406	285,739	24,008,145
	<u>17,668,308</u>	<u>202,243,192</u>	<u>14,609,828</u>	<u>234,521,328</u>

	<u>Level 1</u> \$'000	<u>Level 2</u> \$'000	<u>Level 3</u> \$'000	<u>Total</u> \$'000
Financial Liabilities				
- Equities	(4,986,557)	(4,208,064)	-	(9,194,621)
- Debt securities and loans	(11,717,981)	(10,609,173)	-	(22,327,154)
- Derivatives	(1,156,310)	(153,123,839)	(12,467,437)	(166,747,586)
Designated at fair value through profit and loss	(968,969)	(15,282,572)	(240,614)	(16,492,155)
	<u>(18,829,817)</u>	<u>(183,223,648)</u>	<u>(12,708,051)</u>	<u>(214,761,516)</u>

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2012 (CONTINUED)

22. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

As at 31 March 2011

	<u>Level 1</u> \$'000	<u>Level 2</u> \$'000	<u>Level 3</u> \$'000	<u>Total</u> \$'000
Financial Assets				
- Equities	5,816,201	4,387,023	300,087	10,503,311
- Debt securities and loans	20,203,168	20,373,282	262,462	40,838,912
- Derivatives	584,843	121,821,129	13,406,912	135,812,884
Designated at fair value through profit and loss	-	18,690,865	65,426	18,756,291
	<u>26,604,212</u>	<u>165,272,299</u>	<u>14,034,887</u>	<u>205,911,398</u>

	<u>Level 1</u> \$'000	<u>Level 2</u> \$'000	<u>Level 3</u> \$'000	<u>Total</u> \$'000
Financial Liabilities				
- Equities	(10,260,475)	(1,085,570)	-	(11,346,045)
- Debt securities and loans	(14,863,026)	(8,543,291)	-	(23,406,317)
- Derivatives	(976,995)	(123,187,153)	(12,355,250)	(136,519,398)
Designated at fair value through profit and loss	(1,179,742)	(11,834,692)	-	(13,014,434)
	<u>(27,280,238)</u>	<u>(144,650,706)</u>	<u>(12,355,250)</u>	<u>(184,286,194)</u>

Level 3 financial assets and financial liabilities

Level 3 financial assets and financial liabilities include instruments whose valuations are significantly dependent on parameters which are unobservable in the market. Financial instruments are categorised in accordance with their lowest level significant input. As a result, a derivative valued using a combination of level 1, level 2 and level 3 parameters would be classified in level 3 in its entirety, if its value is significantly affected by at least one significant unobservable parameter.

These financial instruments are often hedged with instruments within level 1 or level 2 of the fair value hierarchy and the gains or losses below do not reflect the offsetting gains or losses for these hedging instruments. Level 3 instruments are also measured using both observable and unobservable inputs. Fair value changes presented below, therefore, reflect realised and unrealised gains and losses resulting from movements in both observable and unobservable parameters.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2012 (CONTINUED)

22. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The following table presents information about financial assets and liabilities measured at fair value on a recurring basis for which the Company has utilised level 3 inputs to determine fair value

	At 1 April 2011	Total gains (losses) in P&L	Purchase	Sales	Settlements	Net transfers in/ (out of) level 3	At 31 March 2012	Unrealised Total gains (losses) in P&L
Financial Assets								
Financial assets held for trading								
- Equities	300,087	(81,458)	89,508	(61,694)	-	(16,975)	229,468	(29,696)
- Debt securities and loans	262,462	24,663	237,499	(167,599)	-	(111,555)	245,470	(11,041)
- Derivatives	13,406,912	2,893,866	-	-	(147,391)	(2,304,236)	13,849,151	2,918,855
Financial assets designated fair value through profit and loss								
- Loans and receivables	65,426	(11,700)	295,007	(6,568)	-	(56,426)	285,739	(7,770)
	<u>14,034,887</u>	<u>2,825,371</u>	<u>622,014</u>	<u>(235,861)</u>	<u>(147,391)</u>	<u>(2,489,192)</u>	<u>14,609,828</u>	<u>2,870,348</u>
	At 1 April 2011	Total gains (losses) in P&L	Purchase	Sales	Settlements	Net transfers in/ (out of) level 3	At 31 March 2012	Unrealised Total gains (losses) in P&L
Financial Liabilities								
Financial liabilities held for trading								
- Equities	-	-	-	-	-	-	-	-
- Debt securities and loans	-	-	-	-	-	-	-	-
- Derivatives	(12,355,250)	(3,042,408)	-	-	557,890	2,372,331	(12,467,437)	(3,138,272)
Financial liabilities designated fair value through profit and loss								
- Loans and receivables	-	-	(291,384)	50,770	-	-	(240,614)	-
	<u>(12,355,250)</u>	<u>(3,042,408)</u>	<u>(291,384)</u>	<u>50,770</u>	<u>557,890</u>	<u>2,372,331</u>	<u>(12,708,051)</u>	<u>(3,138,272)</u>

Total gains and losses on financial assets included in the above table are included in 'Trading profit' in the profit and loss account

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2012 (CONTINUED)

22 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Transfers between level 1 and 2

The following table shows transfers between level 1 and level 2 of the fair value hierarchy for financial assets and liabilities which are recorded at fair value

As at 31 March 2012

	<u>Transfers from level 1 to level 2</u> \$'000	<u>Transfers from level 2 to level 1</u> \$'000
Financial Assets		
Financial assets held for trading		
- Equities	3,758,139	96,585
- Debt Securities	-	117,702
	<u>3,758,139</u>	<u>214,287</u>
	<u>Transfers from level 1 to level 2</u> \$'000	<u>Transfers from level 2 to level 1</u> \$'000
Financial Liabilities		
Financial liabilities held for trading		
- Equities	(3,347,560)	(681,277)
- Debt Securities	-	(215,016)
	<u>(3,347,560)</u>	<u>(896,293)</u>

As at 31 March 2011

	<u>Transfers from level 1 to level 2</u> \$'000	<u>Transfers from level 2 to level 1</u> \$'000
Financial Assets		
Financial assets held for trading		
- Equities	197,597	220,822
	<u>197,597</u>	<u>220,822</u>
	<u>Transfers from level 1 to level 2</u> \$'000	<u>Transfers from level 2 to level 1</u> \$'000
Financial Liabilities		
Financial liabilities held for trading		
- Equities	(134,630)	(787,211)
	<u>(134,630)</u>	<u>(787,211)</u>

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2012 (CONTINUED)

23. CAPITAL MANAGEMENT POLICY

The objectives of the Company's capital management policies are to ensure that the Company complies with externally imposed capital requirements and to seek to enhance shareholder value by capturing business opportunities as they develop. To achieve these goals, sufficient capital is maintained to support the Company's business and to withstand losses due to extreme market movements.

The Company reviews the appropriate level of capital sufficiency, with senior management responsible for implementing and enforcing capital policies. The determination of balance sheet size and level of capital take into consideration regulatory requirements, economic risks inherent in its business and maintenance of a debt rating appropriate to a global financial institution. The allocation of available capital resource across the business is then based upon factors such as return on capital and regulatory requirements.

The Company is subject to and has complied with the regulatory requirements imposed by the Financial Services Authority ("FSA") under the Basel II framework.

No changes were made in the objectives, policies or processes for managing capital during the year.

Regulatory Capital

Regulatory guidelines developed by the Basel Committee and European Union Directives, as implemented by the FSA for supervisory purposes define three 'Tiers' of capital resources. Tier 1 capital is the highest tier and consists of, inter alia, ordinary share capital, reserves and retained earnings. Tier 2 includes perpetual and long-term subordinated debt. Tiers 1 and 2 capital can be used to support both trading and non-trading activity for market and counterparty risks. Tier 3 capital comprises short-term subordinated debt and current year trading book profit/ (loss). The use of Tier 3 capital is restricted to market risk on trading activities only and is not eligible to support credit risk, counterparty risk, operational risk and the FSA's minimum base capital requirement.

	<u>2012</u> \$'000	<u>2011</u> \$'000
Tier 1 capital	3,346,567	3,523,121
Tier 2 capital	3,272,391	3,301,643
Tier 1 & 2 capital	6,618,958	6,824,764
Tier 3 capital	4,204,040	3,733,962
Total deductions from capital	(125,557)	(69,328)
Total capital resources	10,697,441	10,489,398

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2012 (CONTINUED)

24. OPERATING LEASE COMMITMENTS

The Company was committed to making the following payments during the next year in respect of operating leases expiring

	<u>2012</u> <u>Buildings</u> \$'000	<u>2012</u> <u>Other</u> \$'000	<u>2011</u> <u>Buildings</u> \$'000	<u>2011</u> <u>Other</u> \$'000
Within one year	-	11	1,081	616
Within two to five years	6,281	1,301	540	1,243
After five years	77,497	7	32,443	7
	<u>83,778</u>	<u>1,319</u>	<u>34,064</u>	<u>1,866</u>

25. EMPLOYEES

The average monthly number of persons employed by the Company during the year and their location were as follows

	<u>Year ended</u> <u>31 March 2012</u> Number	<u>Year ended</u> <u>31 March 2011</u> Number
United Kingdom	2,988	3,163
Middle East	51	51
Spain	44	41
Other Europe	7	16
Others	5	2
	<u>3,095</u>	<u>3,273</u>

26. DIRECTORS' REMUNERATION

	<u>Year ended</u> <u>31 March 2012</u> \$'000	<u>Year ended</u> <u>31 March 2011</u> \$'000
Salaries, allowances and taxable benefits	6,422	5,275
Company contributions to pension	92	150
Bonuses	-	2,251
Compensation for loss of office	260	-
	<u>6,774</u>	<u>7,676</u>

The highest paid Director received emoluments of \$1,029,164 (2011 \$1,749,070) and Company contributions to pension of \$Nil (2011 \$Nil)

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2012 (CONTINUED)

27. SHARE-BASED PAYMENTS

The ultimate holding company, Nomura Holdings, Inc., has issued two types of share option schemes – stock option plan A and stock option plan B

For both plans the share options have variable vesting periods during which the options may not be exercised

The exercise price of stock option plan A will be determined by reference to the market price of the ultimate holding company's common stock, whilst that of stock option plan B will be 1¥ per share

For both stock option plans, these stock options are exercisable during a period to fall within seven years of the allotment's date, which is to be decided by the ultimate holding company's Board of Directors or an executive office designated by the Board of Directors

The following table for stock option plan A lists the inputs to the model used for the year ended 31 March 2012

<u>Date of grant of share options</u>	<u>Dividend yield</u>	<u>Historical volatility</u>	<u>Risk-free interest rate</u>	<u>Expected life of options</u>	<u>Share Price at Grant Date</u>
	%	%	%	Years	¥
16-Aug-04	2.53	43.51	1.21	7	1,453
25-Jul-05	3.30	42.44	0.87	7	1,335
14-Jul-06	3.08	36.48	1.68	6	2,020
01-Aug-07	3.04	33.85	1.65	6	2,210
05-Aug-08	3.78	32.73	1.43	6	1,493

The following table for stock option plan A lists the inputs to the model used for the year ended 31 March 2011

<u>Date of grant of share options</u>	<u>Dividend yield</u>	<u>Historical volatility</u>	<u>Risk-free interest rate</u>	<u>Expected life of options</u>	<u>Share Price at Grant Date</u>
	%	%	%	Years	¥
22 Jul 2003	2.47	44.58	0.62	7	1,553
16 Aug 2004	2.53	43.51	1.21	7	1,453
25 Jul 2005	3.30	42.44	0.87	7	1,335
14 Jul 2006	3.08	36.48	1.68	6	2,020
01 Aug 2007	3.04	33.85	1.65	6	2,210
05 Aug 2008	3.78	32.73	1.43	6	1,493

Under stock option plan B, the share price as at the grant date has been used as an estimate for the fair value at grant date

For both stock option plans it has been assumed that all options will vest given that there is insignificant historical experience available to provide a reliable estimate

The expense recognised for employee services received during the year was \$188,943,000 (2011 \$109,395,000)

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2012 (CONTINUED)

27 SHARE-BASED PAYMENTS (CONTINUED)

NSU and CSU Awards

NSUs and CSUs are cash-settled awards linked to the price of the Company's common stock which have graded vesting over three years from grant date. NSUs replicate the key features of SAR Plan B awards but are settled in cash rather than the Company's common stock. CSUs are similar to NSUs but exposure of the employee to movements in the price of the Company's common stock is subject to a cap and floor. The fair value of NSUs and CSUs are determined using the price of the Company's common stock.

For NSU and CSU awards the expense recognised for employee services received during the year was \$188,143,032 (2011: \$73,160,983).

Other Awards

In addition to the stock-based compensation awards described above, Nomura also grants NIUs to certain senior management and employees. NIUs are cash-settled awards linked to a world stock index quoted by Morgan Stanley Capital International which have graded vesting over three years from grant date. The fair value of NIUs is determined using the price of the index.

For NIU awards the expense recognised for employee services received during the year was \$40,256,529 (2011: \$Nil).

The following table illustrates the number and weighted average exercise price of the following groups of share options:

	Share Option Plan	Number of share options	Weighted average exercise price ¥
Outstanding at the beginning of the year	A	302	232
	B	420,018	1
	NSU	26,027,733	
	CSU	-	
	NIU	-	
		26,448,053	
Granted during the year	A	-	-
	B	347,951	1
	NSU	20,985,003	
	CSU	24,537,606	
	NIU	24,497,779	
		70,368,339	
Forfeited during the year	A	-	-
	B	(56,563)	1
	NSU	(1,389,304)	
	CSU	(2,347,891)	
	NIU	(1,252,819)	
		(5,046,577)	

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2012 (CONTINUED)

27 SHARE-BASED PAYMENTS (CONTINUED)

	Share Option Plan	Number of share options	Weighted average exercise price
Exercised during the year	A	-	-
	B	(55,203)	1
	NSU	(21,800,877)	
	CSU	(5,599,611)	
	NIU	(5,849,606)	
		<hr/>	
		(33,305,297)	
Expired during the year	A	(2)	-
	B	(17,823)	1
	NSU	-	
	CSU	-	
	NIU	-	
		<hr/>	
		(17,825)	
Outstanding at the end of the year	A	300	232
	B	638,380	1
	NSU	23,822,555	
	CSU	16,590,104	
	NIU	17,395,354	
		<hr/>	
		58,446,693	
Exercisable at the end of the year	A	-	
	B	-	1

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2012 (CONTINUED)

28 CAPITAL COMMITMENTS

As at 31 March 2012 there were capital commitments of \$32,595,352 relating to assets in the course of construction (2011 \$17,440,513)

29. RELATED PARTY TRANSACTIONS

Profit and loss account

The Company has taken advantage of the exemption in FRS 8 from disclosing related party transactions with other entities included in the consolidated financial statements of Nomura Holdings, Inc

As part of the Company's Merchant Banking operations, financial arrangements are made with certain companies for the purpose of holding investments. As a result of these arrangements, these companies become related parties. As at 31 March 2012 and as at 31 March 2011 aggregate amounts due from such related parties of \$448,629 and \$892,629 respectively had been fully provided for.

30 CONTINGENT LIABILITIES AND COMMITMENTS

Italian Tax Dispute

On 25 January, 2008, the Company was served with a Tax Notice issued by the Tax Authorities in Pescara, Italy alleging breaches by the Company of the UK - Italy Double Taxation Treaty of 1998. The alleged breaches relate to payments to the Company of tax credits on dividends on Italian shares. The Tax Notice not only denies certain payments to which the Company claims to be entitled but is also seeking reimbursement of €33.8 million, including interest, already refunded. On March 25, 2008, the Company lodged an appeal against the Tax Notice rejecting the Italian Tax Authorities' demands for reimbursement and advancing the Company's claim for further refunds.

The matter went to a hearing in March 2009 and in November 2009 a decision was issued by First Instance Pescara Tax Court in favour of the Italian Tax Authorities. The Company lodged an appeal of this decision and in March 2012 a further decision was issued by the Second Instance Pescara Tax Court in favour of the Italian Tax Authorities. The Company intends to vigorously challenge this decision.

Italian Novation

On 12 April 2012 HSH Nordbank AG ("HSH") served proceedings on the Company in relation to an interest rate swap with the Italian municipality of Pozzuoli (the "Swap") that was novated to HSH in April 2007 with Nomura receiving a fee of €6.253 million (the "Fee"). The proceedings were issued in the High Court in London. HSH claims that the Swap is void and therefore that the Company should pay back the Fee plus interest to HSH. The Company intends to vigorously defend these proceedings.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2012 (CONTINUED)

30. CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

Tarquin

On March 1, 2011, formal proceedings were commenced in the Commercial Court of the Canton of Zurich (the "Court") against Tarquin Limited ("Tarquin"), a special purpose company established at the request of the Company, in which PT Bank Mutiara Tbk ("Bank Mutiara") has challenged Tarquin's rights over \$155 million previously on deposit in a bank account held with Dresdner Bank (Schweiz) ("Dresdner") over which Tarquin has a security interest pursuant to a loan facility. These funds are now deposited with the Cantonal Bank of Zurich by order of the Swiss Court, following a request by Dresdner for the Court to decide who should receive the funds. As part of this process the Swiss Court of Appeal determined that Bank Mutiara had until 1 March 2011 to commence proceedings against Tarquin claiming the monies. Bank Mutiara met this deadline. Tarquin disputes that Bank Mutiara has any enforceable security interest over the funds and is seeking the release of the monies to its order and will therefore vigorously defend the action.

Region of Calabria

The Region of Calabria (the "Region") has commenced civil proceedings against a number of financial services firms including the Company in the local Calabrian court. The Region's claim against Nomura relates to derivative transactions entered into by the Region and purports to be for the sum of €32 million. The Company has submitted a full defence to the claim and intends to vigorously contest the proceedings. A hearing on preliminary issues (including jurisdiction) is expected to commence on 23 April 2013.

Fairfield Claims

The Company is a defendant in two actions seeking recovery of payments allegedly made to the Company by Fairfield Sentry Ltd and Fairfield Sigma Ltd (collectively, the "Fairfield Funds"). The Fairfield Funds, now in liquidation, were feeder funds to Bernard L. Madoff Investment Securities LLC ("BLMIS"). BLMIS is itself now in liquidation in the US pursuant to the Securities Investor Protection Act. The first claim was brought by the liquidators of the Fairfield Funds. It was filed on 5 October 2010 in the Supreme Court of the State of New York, but was subsequently transferred to the US Bankruptcy Court. It looks likely that the claim will be transferred back to the New York Supreme Court. The claim is one of many similar claims that have been brought against a number of investors. The second claim was brought by the Trustee for the liquidation of BLMIS (the "Madoff Trustee"). The Company was added as a defendant on 6 June 2012 when the Madoff Trustee filed an amended complaint in the US Bankruptcy Court. The Company is seeking to have the claim transferred to the US District Court. Again, this claim is one of many claims being brought against a range of investors. Both claims are at a preliminary stage. The amount claimed in each case is approximately \$35 million. NIP does not believe that it will face the prospect of double recovery of the sums in question.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2012 (CONTINUED)

30 CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

Harley Claim

On 6 October 2011, the Madoff Trustee filed an adversary proceeding against the Company in the US Bankruptcy Court for the recovery of redemption payments made by the Harley fund to the Company. The basis of the claim is that the redemptions in question were and continue to be "Customer Property" within the meaning of the Securities Investor Protection Act and are therefore avoidable and recoverable under the US Bankruptcy Code and New York Debtor and Creditor law. The Harley fund, now in liquidation, was a feeder fund to BLMIS. The claim is for approximately \$21.5 million plus interest. The Company has, along with many other similarly situated defendants, filed a motion seeking to have the proceedings heard in the US District Court rather than the US Bankruptcy Court. A number of preliminary issues are due to be heard in the US District Court over the course of the next few months.

Other Litigation

The Company is also party to various other legal proceedings, the ultimate resolution of which is not expected to have a material adverse impact on the financial position of the Company.

Commitments

The Company had commitments as at 31 March 2012 amounting to \$1,910,306,148 (2011 \$1,748,265,533) in respect of undrawn note issuance facilities, loan commitments, outstanding capital contributions on investments in partnership interests and performance guarantees.

This amount includes related party loan commitments and performance guarantees. As part of its normal business practices the Company also had commitments as at 31 March 2011 in respect of forward starting purchase and resale agreements with third parties.

31. EVENTS AFTER THE BALANCE SHEET DATE

WestLB

On 17 April 2009 WestLB served proceedings on the Company and Nomura Bank International plc ("NBI"), claiming that, on maturity of a note issued by NBI and maturing in October 2008, WestLB were entitled to receive approximately \$22 million, which it claims to be the value of a fund of shares referable to the NBI note. On 11 November 2010, the High Court in London dismissed WestLB's claim. WestLB obtained leave to appeal on 7 March 2011. On 24 April 2012 the Court of Appeal in London dismissed WestLB's appeal.

32 ULTIMATE PARENT UNDERTAKING

The Company's ultimate parent undertaking and controlling party, and the parent that heads the largest group of undertakings for which consolidated financial statements are prepared, is Nomura Holdings, Inc., incorporated in Japan. Copies of the group financial statements of Nomura Holdings, Inc. may be obtained from 9-1, Nihonbashi 1-Chome, Chuo-ku, Tokyo 103-8645, Japan. The parent that heads the smallest group of undertakings for which consolidated financial statements are prepared is Nomura Europe Holdings plc, a company registered at 1 Angel Lane, London, EC4R 3AB, United Kingdom.