

NOMURA INTERNATIONAL PLC
ANNUAL REPORT
31 March 2015

COMPANY REGISTERED NUMBER 1550505

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COMPANIES HOUSE

NOMURA INTERNATIONAL PLC

YEAR ENDED 31 MARCH 2015

STRATEGIC REPORT

The Directors of Nomura International plc (the "Company") present their Strategic Report, Directors' Report and the financial statements for the year ended 31 March 2015.

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.

REVIEW OF THE COMPANY'S BUSINESS, DESCRIPTION OF PRINCIPAL RISKS AND INFORMATION REGARDING BRANCHES

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, Doha, Helsinki and Frankfurt.

The Company remains a key member of the Nomura Group and in addition to European-based business activity, some Wholesale business lines across Asia and the Americas continue to leverage the Company's well developed infrastructure and wide client reach.

The Company's key financial indicators during the year were as follows:

	<u>Year ended</u> <u>31 March 2015</u> \$'000	<u>Year ended</u> <u>31 March 2014</u> \$'000
Trading profit	1,762,678	1,631,989
Net interest payable	(235,546)	(302,377)
Loss on ordinary activities before taxation	(453,759)	(465,629)
Loss on ordinary activities after taxation	(460,312)	(471,806)
 Total assets	 586,011,418	 463,449,172
Total liabilities	582,020,014	459,164,534
Shareholders' funds	3,991,404	4,284,638

NOMURA INTERNATIONAL PLC

YEAR ENDED 31 MARCH 2015

STRATEGIC REPORT (CONTINUED)

The Company reported a loss on ordinary activities before tax for the year of \$453,759,000 (March 2014: loss of \$465,629,000). During the previous year the Company recognised a gain of \$26m on the sale of a leasehold property. Disregarding this one-off gain, the Company has seen a reduction in losses of 8% year-on-year. The Company has benefitted from the Nomura Group's legal entity strategy, which has seen market risk transferred to other Nomura Group companies and a corresponding reduction in revenue volatility.

However, the Company continues to be loss-making, with losses driven by a tough and challenging market environment, impacting the Wholesale division. Economic growth in the Eurozone continued to remain weak, impacted by increasing uncertainty, coupled with geopolitical pressures on the economies in the region. As a result, markets, and in particular fixed income markets, delivered lower than expected returns. This has impacted the Company's results for the year.

The Company will continue to focus on delivering high value-added products and solutions to its clients for the year ending 31 March 2016.

RISK MANAGEMENT

The Company's activities involve the assumption and transfer of certain risks, including market risk, credit risk, operational risk, liquidity risk, model risk and business risk. Further information on these risks and the Company's risk management objectives and policies are described in note 18 to the financial statements.

These risks are managed through sub-committees of the Board of NEHS. These include a Prudential Risk Committee ("PRC"), 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 ("non-EMEA") business booked into certain European entities, including the Company.

FUTURE DEVELOPMENTS

Future of UK GAAP

The Financial Reporting Council ("FRC") has been working on a project entitled the Future of UK GAAP. As a result, a number of new Financial Reporting Standards ("FRS") were issued, including FRS 100 "Application of Financial Reporting Requirements", FRS 101 "Reduced Disclosure Framework" and FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". These standards are effective for accounting periods beginning 1 April 2015. The Company is currently assessing the impact of these new standards.

Legal Entity Strategy

In line with the Nomura Group's legal entity strategy, the Company has transferred the market risk of a number of its trading portfolios to Nomura Financial Products & Services, Inc. ("NFPS"), domiciled in Japan. Furthermore, trading portfolios from cross border businesses have been, and wherever possible will continue to be, transferred to entities in their respective regions.

As part of the overall strategy of the Nomura Group, the Company is also seeking to reduce the size of its balance sheet. This strategic vision will be implemented through the novation of client-facing trades to other Nomura Group companies.

NOMURA INTERNATIONAL PLC

YEAR ENDED 31 MARCH 2015

STRATEGIC REPORT (CONTINUED)

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.

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

The Company is committed to the principle of equal employment opportunity for all employees and to providing employees with a work environment free of discrimination and harassment regardless of age, disability, race, gender identity, religion or belief, marriage and civil partnership, pregnancy and maternity, sex and sexual orientation. Our recruitment, development and promotion procedures are based on the requirements of a particular position.

The Nomura Group has an established policy of communicating with all its employees regularly, including UK employees, in order to provide information relevant to them about their employment and Nomura. This includes regular Nomura news bulletins circulated to all UK employees as well as communication and updates on the employee training programmes that are available. All UK employees are encouraged to participate in the various employee committees and networks offered by the Nomura Group. The Company is not listed in the UK and therefore does not operate an employee share scheme. However employee involvement in the performance of the Company is encouraged, in a number of ways, including through the provision of a discretionary bonus scheme, which is based on the employee's individual performance as well as their division as a whole and the overall Company and Nomura Group performance. The Nomura Group's financial performance is regularly communicated to employees through quarterly town halls in which the individual Company's financial performance is discussed.

NOMURA INTERNATIONAL PLC

YEAR ENDED 31 MARCH 2015

STRATEGIC REPORT (CONTINUED)

ENVIRONMENT

The Nomura Group is committed to acting in an environmentally responsible manner.

The Nomura Group:

- encourages investment and constructive engagement in environmentally friendly goods and services;
- assesses environmental risks and continually strives to minimise pollution and improve the environment;
- complies with relevant environmental laws and regulations and engages with external stakeholders on environmental issues;
- is committed to reducing waste and conserving energy and natural resources to minimise the impact of our footprint on the environment;
- communicates this policy to all employees to raise awareness of environmental issues and encourages environmentally friendly initiatives.

The Nomura Group makes this policy available for public viewing at:

<http://www.nomuraholdings.com/csr/citizenship/environment/management>

BY ORDER OF THE BOARD AT A MEETING HELD ON 27 JULY 2015



Andrew Eames
Company Secretary

Company Registration Number 1550505

NOMURA INTERNATIONAL PLC

YEAR ENDED 31 MARCH 2015

DIRECTORS' REPORT

RESULTS AND DIVIDENDS

The results for the year are set out on page 11. The loss transferred to reserves for the year amounted to \$460,312,000 (2014: loss of \$471,806,000).

No interim dividend was paid (2014: \$nil) and the Directors do not recommend the payment of a final dividend (2014: \$nil).

TANGIBLE FIXED ASSETS

Movements in tangible fixed assets are shown in note 8 to the financial statements.

EVENTS SINCE THE BALANCE SHEET DATE

Following the year end, on 8 May 2015, the Company issued 550,000,000 ordinary shares to NEHS.

DONATIONS

No political donations were made during the year (2014: \$nil).

FINANCIAL INSTRUMENTS

The Company's risk management objectives and policies are described in note 18 on page 54 to the financial statements. Further analysis on financial instruments is disclosed in note 10 and 19 on page 42 and 73 respectively. The accounting policies with respect to financial instruments are described within note 1 on page 16.

MATTERS DEALT WITH IN THE STRATEGIC REPORT

An indication of the likely future developments of the Company, along with information pertaining to branches of the Company outside of the United Kingdom and employee matters, have both been discussed in the Company Strategic Report.

NOMURA INTERNATIONAL PLC

YEAR ENDED 31 MARCH 2015

DIRECTORS' REPORT (CONTINUED)

DIRECTORS

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

David Benson	Chairman (appointed 13 June 2015) Non-Executive Director (appointed 1 January 2015) Executive Director (resigned 31 December 2014)
Jonathan Lewis	Chief Executive Officer (appointed 13 April 2015) Executive Director (appointed 13 April 2015)
Lewis O'Donald	Executive Director
Paul Spanswick	Executive Director
David Findlay	Executive Director
Hiroyuki Suzuki	Non-Executive Director
Sir Andrew Cahn	Non-Executive Director
Jonathan Britton	Non-Executive Director (appointed 1 April 2015)
Kieran Poynter	Chairman (resigned 12 June 2015) Non-Executive Director (resigned 12 June 2015)
Jeremy Bennett	Chief Executive Officer (resigned 19 November 2014) Executive Director (resigned 19 November 2014)
Yasuo Kashiwagi	Acting Chief Executive Officer (appointed 19 November 2014) Acting Chief Executive Officer (resigned 13 April 2015) Executive Chairman (appointed 13 April 2015) Executive Chairman (resigned 31 May 2015) Executive Director (resigned 31 May 2015)
Patrik Edsparr	Non-Executive Director (resigned 20 May 2014)

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.

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 18 to the financial statements. Its capital management procedures and available capital resources are described in note 20.

The Company received an injection of ordinary share capital in May 2015 to support its capital position. While market and regulatory pressures remain challenging, the improved capital base will allow continued focus on client flow businesses and supplying liquidity to the market, whilst closely monitoring risk.

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.

NOMURA INTERNATIONAL PLC

YEAR ENDED 31 MARCH 2015

DIRECTORS' REPORT (CONTINUED)

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.

NOMURA INTERNATIONAL PLC

YEAR ENDED 31 MARCH 2015

DIRECTORS' REPORT (CONTINUED)

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Directors' Report, the Strategic 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 they 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 judgments and estimates that are reasonable and prudent; 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 adequate 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors are also responsible for preparing the Directors' Report and the Strategic Report in accordance with the Companies Act 2006 and applicable regulations.

BY ORDER OF THE BOARD AT A MEETING HELD ON 27 JULY 2015



Andrew Eames
Company Secretary

Company Registration number 1550505



INDEPENDENT AUDITORS' 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 2015 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Reconciliation of Movement in Shareholders' funds, the Balance Sheet and the related notes 1 to 29. 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 AUDITOR

As explained more fully in the Statement of Directors' Responsibilities set out on page 8, 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 annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2015 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 Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NOMURA INTERNATIONAL PLC (CONTINUED)

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

27/7/2015

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

NOMURA INTERNATIONAL PLC

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2015

Notes		<u>Year ended</u> <u>31 March 2015</u> \$'000	<u>Year ended</u> <u>31 March 2014</u> \$'000
1(c),2	TRADING PROFIT	1,762,678	1,631,989
3	Other operating income/(expense)	(313)	431
		1,762,365	1,632,420
1(d),4	Interest receivable and similar income	1,112,919	930,981
1(d),4	Interest payable and similar charges	(1,348,465)	(1,233,358)
	Net interest payable	(235,546)	(302,377)
	General and administrative expenses	(1,880,108)	(1,673,180)
	OPERATING LOSS	(353,289)	(343,137)
	Exceptional gain on disposal	-	26,334
	Interest payable on subordinated borrowings	(100,470)	(148,826)
5	LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	(453,759)	(465,629)
7	Tax charge on loss on ordinary activities	(6,553)	(6,177)
	LOSS ON ORDINARY ACTIVITIES AFTER TAXATION	<u>(460,312)</u>	<u>(471,806)</u>

The notes on pages 16 to 86 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 2015

Notes		<u>2015</u> <u>\$'000</u>	<u>2014</u> <u>\$'000</u>
	Loss for the financial year	(460,312)	(471,806)
1(e),17	Gain on available-for-sale investments	681	5,655
7	Current tax charge recognised in the statement of total recognised gains and losses	(77)	(1,201)
1(e),17	Realised loss/(gain) on available-for-sale investments reclassified to the profit and loss account on disposal	313	(431)
17	Foreign currency loss	(12,563)	(6,164)
	Total recognised losses relating to the year	<u>(471,958)</u>	<u>(473,947)</u>

The notes on pages 16 to 86 form part of these financial statements.

NOMURA INTERNATIONAL PLC

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS FOR THE YEAR ENDED 31 MARCH 2015

Notes		<u>2015</u> \$'000	<u>2014</u> \$'000
	Loss on ordinary activities after taxation	(460,312)	(471,806)
	Other recognised gains and (losses) relating to the year:		
1(e), 17	Gain on available-for-sale investments	681	5,655
17	Current tax charge recognised in the statement of total recognised gains and losses	(77)	(1,201)
1(e), 17	Realised loss/(gain) on available-for-sale investments reclassified to the profit and loss account on disposal	313	(431)
17	Foreign currency loss	(12,563)	(6,164)
16	New share capital subscribed	-	470,000
17	Movement on share-based payment reserve	178,724	105,664
	Net (reduction)/addition to shareholders' funds	(293,234)	101,717
	Opening shareholders' funds at 1 April	4,284,638	4,182,921
	Closing shareholders' funds at 31 March	3,991,404	4,284,638

The notes on pages 16 to 86 form part of these financial statements.

NOMURA INTERNATIONAL PLC

BALANCE SHEET AT 31 MARCH 2015

Notes		<u>2015</u> \$'000	<u>2015</u> \$'000	<u>2014</u> \$'000	<u>2014</u> \$'000
	FIXED ASSETS				
8	Tangible fixed assets	185,552		230,049	
9	Fixed asset investments	12,895		13,057	
10,18	Available-for-sale investments	<u>5,464</u>		<u>8,157</u>	
			203,911		251,263
	CURRENT ASSETS				
1(e),10,18	Financial assets held for trading	395,872,466		283,440,081	
1(e),10,18	Financial assets designated at fair value through profit and loss	16,380,173		16,961,654	
10	Collateral-paid for securities purchased under agreements to resell	129,332,155		125,181,339	
10	Collateral paid for securities borrowed	17,536,526		18,771,120	
10,12	Other-debtors	23,223,583		14,139,887	
10	Investments - time deposits	450,399		995,868	
10	Cash at bank and in hand	<u>3,012,205</u>		<u>3,707,960</u>	
			585,807,507		463,197,909
	CREDITORS (amounts falling due within one year)				
1(e),10,18	Financial liabilities held for trading	(374,210,006)		(258,468,036)	
1(e),10,18	Financial liabilities designated at fair value through profit and loss	(9,822,824)		(8,198,384)	
10	Collateral received for securities sold under agreements to repurchase	(138,245,289)		(136,094,120)	
10	Collateral received for securities loaned	(14,046,867)		(14,350,606)	
10,13	Other creditors	<u>(41,915,873)</u>		<u>(35,900,301)</u>	
			(578,240,859)		(453,011,447)
	NET CURRENT ASSETS		7,566,649		10,186,462
	TOTAL ASSETS LESS CURRENT LIABILITIES		<u>7,770,559</u>		<u>10,437,725</u>
10,15	CREDITORS (amounts falling due after more than one year)		(3,779,155)		(6,153,087)
	NET ASSETS		<u>3,991,404</u>		<u>4,284,638</u>

NOMURA INTERNATIONAL PLC

BALANCE SHEET AT 31 MARCH 2015 (CONTINUED)

Notes		2015 \$'000	2014 \$'000
	CAPITAL AND RESERVES		
16	Called up share capital	8,376,226	8,376,226
17	Share premium	27,479	27,479
17	Redenomination reserve	25,921	25,921
17	Other reserve	(119,911)	(107,348)
17	Capital redemption reserve	184,499	184,499
17	Available-for-sale reserve	12,950	12,033
17	Share-based payment reserve	866,874	688,150
17	Profit and loss account	(5,382,634)	(4,922,322)
	SHAREHOLDERS' FUNDS – Equity	3,991,404	4,284,638

Approved by the board of Directors on 27 July 2015 and subsequently signed on its behalf on 27 July by:



Jonathan Lewis

Director

The notes on pages 16 to 86 form part of these financial statements.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2015

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 NEHS, 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 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-traded 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.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2015 (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 unrealised 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 recognised in the profit and loss account over the life of the transaction on an appropriate basis, or when the inputs become observable, or when the instrument is derecognised.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2015 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

(b) Fair Value of Financial Instruments (continued)

(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.

(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 general and administrative expenses.

(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.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2015 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

(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 2015 (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 18, 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 2015 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

(e) Financial Instruments (continued)

b. Financial instruments designated at fair value through profit and loss (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 over-the-counter ("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 date basis.

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 2015 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

(e) Financial Instruments (continued)

(ii) Financial instruments at amortised cost (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. Where the securities were sourced from the Company's balance sheet, they will continue to be retained on the Company's balance sheet, and where they are to be rehypothesized by the transferee, they 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 rehypothesized 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 2015 (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 debt investments is reported in interest receivable and similar income using the effective interest rate. Dividends earned whilst holding available-for-sale equity 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 did not hold any 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 2015 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

(f) Impairment (continued)

(i) Loans and receivables (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 the 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 2015 (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 recognised at fair value. The amount initially recognised 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 recognised is net of cumulative amortisation previously recognised.

(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 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 2015 (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) 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.

(m) 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 2015 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

(n) 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.

(o) 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.

(p) 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 2015 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

(p) 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. Where the Company purchased insurance policies to cover a benefit obligation, the value of insurance policies is equal to the value of the related obligation. 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 6.

(q) 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 2015 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

(q) 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.

(r) 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 may be 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.

(s) 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.

(t) 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.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2015 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

(u) Presentation within the profit and loss account

Following changes to Nomura's legal entity strategy, the Company has refined the presentation of revenues and expenses from fellow Nomura Group companies in respect of transfer pricing arrangements in the profit and loss account. The prior period comparatives have not been amended to reflect the new presentation; however there is no impact on the Company's profit before tax. Had the prior period comparatives been amended, the below would have been disclosed:

Trading Profit note

	<u>Year ended</u> <u>31 March</u> <u>2014</u> \$'000
Net fees and commissions	695,800
Principal transactions	1,407,300
Less: attributable transaction expenses	<u>(270,172)</u>
Trading profit	<u>1,832,928</u>
General and administrative expenses	(1,874,119)

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2015 (CONTINUED)

2. TRADING PROFIT

All 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 2015</u> \$'000	<u>Year ended</u> <u>31 March 2014</u> \$'000
Net fees and commissions ¹	321,272	601,301
Principal transactions ²	1,184,005	1,300,860
Other revenues ³	484,254	-
Less: attributable transaction expenses ³	<u>(226,853)</u>	<u>(270,172)</u>
Trading profit	<u>1,762,678</u>	<u>1,631,989</u>

\$1,617,672,000 (2014: \$1,435,009,000) of the trading profit in the year ended 31 March 2015 is attributable to EMEA and \$145,006,000 (2014: \$196,980,000) 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.

³ 'Attributable transaction expenses' excludes sales credits payable/receivable to/from other Nomura Group entities. Sales credits payable are included in 'general and administrative expenses'; sales credits receivable are included in 'other revenues'.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2015 (CONTINUED)

2. TRADING PROFIT (CONTINUED)

b. Analysis of net fee and commission income

	<u>Year ended</u> <u>31 March 2015</u> \$'000	<u>Year ended</u> <u>31 March 2014</u> \$'000
Financial instruments not at fair value through profit or loss	235,164	518,231
Other fees and commission income	86,108	83,070
Net fees and commissions	<u>321,272</u>	<u>601,301</u>

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 2015</u> \$'000	<u>Year ended</u> <u>31 March 2014</u> \$'000
Financial instruments held for trading	1,331,944	1,238,958
Financial instruments designated at fair value through profit and loss	(147,939)	61,902
Principal transactions	<u>1,184,005</u>	<u>1,300,860</u>

3. OTHER OPERATING INCOME

	<u>Year ended</u> <u>31 March 2015</u> \$'000	<u>Year ended</u> <u>31 March 2014</u> \$'000
Profit/(loss) from sales of available-for-sale investments	(313)	431
	<u>(313)</u>	<u>431</u>

Included in 'Profit 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 2015 (CONTINUED)

4. INTEREST INCOME AND EXPENSE

Analysis of total interest income and expense by financial instrument type

	<u>Year ended</u> <u>31 March 2015</u> \$'000	<u>Year ended</u> <u>31 March 2014</u> \$'000
Interest receivable and similar income		
Cash and short-term funds	27,551	57,277
Securities borrowed and reverse repurchase agreements	808,388	771,689
Other	28,593	14,524
	864,532	843,490
Financial instruments at fair value through profit and loss	248,387	87,491
	1,112,919	930,981
 Interest payable and similar charges		
Overdrafts and loans	(41,451)	(174,116)
Securities lent and repurchase agreements	(1,166,524)	(869,111)
Other	(122,754)	(141,656)
	(1,330,729)	(1,184,883)
Financial instruments at fair value through profit and loss	(17,736)	(48,475)
	(1,348,465)	(1,233,358)

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2015 (CONTINUED)

5. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Loss on ordinary activities before tax for the Company is stated after charging/(crediting):

	<u>Year ended</u> <u>31 March 2015</u> \$'000	<u>Year ended</u> <u>31 March 2014</u> \$'000
Wages, salaries and other personnel costs	899,023	971,332
Social security costs	93,996	95,265
Pension costs— defined contribution	39,715	37,746
Depreciation (note 8)	104,656	103,805
Auditors' remuneration including expenses		
- audit	2,050	1,956
- audit-related assurance services	245	349
- services relating taxation	160	71
-- all-other services	2,723	1,419
Operating lease costs		
- buildings	66,199	89,518
- other	911	1,082
Interest receivable from Nomura Group undertakings	(620,326)	(354,460)
Interest payable to Nomura Group undertakings	763,089	681,842

In addition to the audit fee shown above, an amount of \$1,120,770 (2014: \$1,099,041) was borne by NHI.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2015 (CONTINUED)

6. DEFINED BENEFIT PENSION SCHEME

A full actuarial valuation of the defined benefit pension scheme was undertaken at 31 March 2015 by Premier Pensions Management Ltd, a qualified independent actuary.

During the year ended 31 March 2015, the Company made no additional contributions 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 2016 is nil (2015: \$1,275,000).

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 2015</u>	<u>31 March 2014</u>	<u>31 March 2013</u>
	%	%	%
Rate of increase in pensions in payment	3.26	3.66	3.62
Rate of increase in pensions in deferment	2.26	2.66	2.92
Discount rate applied to scheme liabilities	3.30	4.45	4.65
Inflation assumption	2.26	2.66	2.92

Life expectancy from mortality tables used to determine benefit obligations at:

	<u>31 March 2015</u>	<u>31 March 2014</u>
	Years	Years
Male Member age 60 (life expectancy at age 60)	30.5	30.0
Male Member age 40 (life expectancy at age 60)	33.8	33.3
Female Member age 60 (life expectancy at age 60)	32.6	32.2
Female Member age 40 (life expectancy at age 60)	36.0	35.4

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2015 (CONTINUED)

6. DEFINED BENEFIT PENSION SCHEME (CONTINUED)

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

	<u>31 March 2015</u>		<u>31 March 2014</u>		<u>31 March 2013</u>	
	%	\$'000	%	\$'000	%	\$'000
Equities	3.30	1,143	-	-	-	-
Bonds	-	-	3.70	320,940	2.84	282,282
Property	-	-	-	-	3.94	19,420
Div Growth Funds	3.30	33,761	-	-	-	-
Cash	3.30	1,561	0.50	1,047	0.50	381
Annuities	3.30	306,093	4.45	63,642	4.65	55,258
Market value of assets		342,558		385,629		357,341
Present value of scheme liabilities		(309,063)		(284,128)		(257,849)
Surplus in the scheme		33,495		101,501		99,492
Effect of surplus cap		(33,495)		(101,501)		(99,492)
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 of operating loss in relation to the defined benefit pension scheme (2014: \$617,000).

The amount charged to other finance income:

	<u>31 March 2015</u>	<u>31 March 2014</u>
	\$'000	\$'000
Past service cost	689	(5,856)
Unrecognised surplus applied to past service cost	(689)	5,856
Expected return on pension scheme assets	11,902	11,796
Interest on pension scheme liabilities	(11,902)	(12,413)
Other finance income	-	(617)

Analysis of movements in scheme assets during the year:

	<u>31 March 2015</u>	<u>31 March 2014</u>
	\$'000	\$'000
Deficit in scheme at beginning of year	(617)	-
Expected return on pension scheme assets	11,902	11,796
Interest on pension scheme liabilities	(11,902)	(12,413)
Deficit in scheme at end of year	(617)	(617)

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2015 (CONTINUED)

6. DEFINED BENEFIT PENSION SCHEME (CONTINUED)

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

	31 March 2015	31 March 2014
	\$'000	\$'000
Actual return less expected return on pension scheme assets	(7,415)	(11,247)
Experience losses arising on pension scheme liabilities	(1,265)	(1,318)
Changes in assumptions underlying the present value of the pension scheme liabilities	(52,195)	11,617
Actuarial loss before adjustment due to movement in surplus cap	(60,875)	(948)
Adjustment due to movement in surplus cap	60,875	948
Actuarial loss recognised in STRGL	-	-

The defined benefit pension scheme has no effect on the net assets and reserves of the Company (2014: no effect).

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

	Year ended	Year ended
	31 March 2015	31 March 2014
	\$'000	\$'000
Change in benefit obligations		
Benefit obligations at beginning of year	284,128	257,849
Plan Amendments	689	5,857
Interest cost	11,902	12,413
Actuarial loss/(gain)	53,460	(9,847)
Benefits paid	(5,584)	(7,396)
Foreign currency exchange (gain)/loss	(35,532)	25,252
Benefit obligations at end of year	309,063	284,128

	Year ended	Year ended
	31 March 2015	31 March 2014
	\$'000	\$'000
Change in plan assets		
Fair value of plan assets at beginning of year	385,629	357,341
Expected return on plan assets	11,902	11,796
Actuarial gain	(7,415)	(10,754)
Benefits paid from plan	(5,584)	(7,396)
Foreign currency exchange (gain)/loss	(41,974)	34,642
Fair value of plan assets at end of year	342,558	385,629

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2015 (CONTINUED)

6. 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:

	31 March 2015	
	%	\$'000
Difference between expected and actual return on pension scheme assets	(2.16%) (a)	(7,415)
Experience gains and losses on pension scheme liabilities	(0.41%) (b)	(1,265)
Total amount recognised in STRGL	0.00% (b)	-
	31 March 2014	
	%	\$'000
Difference between expected and actual return on pension scheme assets	(2.92%) (a)	(11,247)
Experience gains and losses on pension scheme liabilities	(0.46%) (b)	(1,318)
Total amount recognised in STRGL	0.00% (b)	-
	31 March 2013	
	%	\$'000
Difference between expected and actual return on pension scheme assets	11.06% (a)	39,525
Experience gains and losses on pension scheme liabilities	(0.90%) (b)	(2,327)
Total amount recognised in STRGL	0.00% (b)	-
	31 March 2012	
	%	\$'000
Difference between expected and actual return on pension scheme assets	11.67% (a)	38,465
Experience gains and losses on pension scheme liabilities	(0.58%) (b)	(1,305)
Total amount recognised in STRGL	1.14% (b)	(2,525)
	31 March 2011	
	%	\$'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)
	31 March 2010	
	%	\$'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)

(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 2015 (CONTINUED)

7. TAX CHARGE/(CREDIT) ON LOSS ON ORDINARY ACTIVITIES

(a) TAX CHARGE/(CREDIT)

	<u>Year ended</u> <u>31 March 2015</u> \$'000	<u>Year ended</u> <u>31 March 2014</u> \$'000
<u>Current Tax:</u>		
UK corporation tax credit at 21% (2014: 23%)	(354)	(1,419)
Foreign tax suffered	7,794	8,722
Adjustment in respect of previous periods	(887)	(1,126)
	<u>6,553</u>	<u>6,177</u>
<u>Deferred Tax</u>		
Deferred taxation (note 14)	-	-
Total tax charge for the year	<u>6,553</u>	<u>6,177</u>
Current tax charge recognised in the statement of total recognised gains and losses	<u>77</u>	<u>1,201</u>

(b) RECONCILIATION OF CORPORATION TAX CREDIT

	<u>Year ended</u> <u>31 March 2015</u> \$'000	<u>Year ended</u> <u>31 March 2014</u> \$'000
Loss on ordinary activities before tax	(453,759)	(465,629)
UK Corporation tax credit at 21% (2014: 23%)	(95,289)	(107,095)
<i>Effects of</i>		
Expenses not deductible for tax purposes	10,194	(8,978)
Revenues deductible for tax purposes	(1,486)	(1,806)
Timing differences		
- Losses surrendered to group company for nil payment	6,516	1,976
- Tangible fixed assets	22,365	6,749
- Profit on sale of Gloucester Gate	-	(5,056)
- Share based payments	15,246	(1,243)
- Deferred emoluments	(290)	(18,338)
- Transition adjustment on adoption of FRS 25/26	9,254	10,135
Unutilised losses for the year carried forward	33,136	122,237
Higher tax rates on overseas earnings	7,794	8,722
Adjustment in respect of previous periods	(887)	(1,126)
Corporation tax charge for the year	<u>6,553</u>	<u>6,177</u>

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2015 (CONTINUED)

8. TANGIBLE FIXED ASSETS

Cost	Construction In Progress \$'000	Long Leasehold \$'000	Furniture, Equipment, and Software \$'000	Total \$'000
At 1 April 2014	115	3,420	636,787	640,322
Additions	775	2,949	60,615	64,339
Disposals	-	(150)	(8,306)	(8,456)
Others	(1)	(207)	(283)	(491)
At 31 March 2015	889	6,012	688,813	695,714
<u>Depreciation</u>				
At 1 April 2014	-	1,239	409,034	410,273
Charged during the year	-	492	104,164	104,656
Disposals	-	-	(5,246)	(5,246)
Others	-	38	441	479
At 31 March 2015	-	1,769	508,393	510,162
<u>Net book value</u>				
At 31 March 2015	889	4,243	180,420	185,552
At 31 March 2014	115	2,181	227,753	230,049

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2015 (CONTINUED)

9. FIXED ASSET INVESTMENTS

<u>Cost</u>	<u>Investment in Subsidiary Undertakings</u> \$'000
At 1 April 2014	13,057
Additions	-
Return of Investment	-
Impairment	(162)
At 31 March 2015	12,895
<u>Net book value</u>	
At 31 March 2015	12,895
At 31 March 2014	13,057

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 Investments (AH) Limited	100%	Guernsey	Investment
Nomura PB Nominees Limited	100%	England and Wales	Investment
Nomura Custody Nominees Limited	100%	England and Wales	Investment
Nomura D1 Nominee Limited	100%	England and Wales	Investment
Nomura Derivatives Clearing Nominee Limited	100%	England and Wales	Investment
Nomura PB Beneficial Ownership Markets Limited	100%	England and Wales	Investment
Nomura Clearance and Settlement Nominees Limited	100%	England and Wales	Investment
Nomura RPS Limited	100%	England and Wales	Investment adviser
Nomura Investment Advisor LLP	50%	England and Wales	Investment adviser
Nomura Private Equity Investment GP Limited	100%	England and Wales	Investment Manager
Nomura Employment Services (Isle of Man) Limited	100%	Isle of Man	Employment Services
Nomura Nominees Limited	100%	England and Wales	Custody
Nomura.com Limited	100%	England and Wales	Dormant
Nomura London Retirement Benefits Plan Trustee Limited	100%	England and Wales	Corporate Trustee
Nomura Investment Solutions plc	50%	Ireland	Investment
IBJ Nomura Financial Products (UK) plc	100%	England and Wales	Company in liquidation
Nomura International Leasing Limited	100%	Ireland	Company in liquidation

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2015 (CONTINUED)

10. FINANCIAL INSTRUMENTS

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

	<u>2015</u>	<u>2015</u>	<u>2015</u>	<u>2015</u>	<u>2015</u>	<u>2015</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	5,464	-	-	-	-	5,464
Held for trading		395,872,466	-	-	-	395,872,466
Designated fair value through profit and loss	-	-	16,380,173	-	-	16,380,173
Collateral paid for securities purchased under						
agreements to resell	-	-	-	129,332,155	-	129,332,155
Collateral paid for securities borrowed	-	-	-	17,536,526	-	17,536,526
Other debtors	-	-	-	23,223,583	-	23,223,583
Investments – time deposits	-	-	-	450,399	-	450,399
Cash at bank and in hand	-	-	-	3,012,205	-	3,012,205
Financial Liabilities						
Held for trading	-	(374,210,006)	-	-	-	(374,210,006)
Designated fair value through profit and loss	-	-	(9,822,824)	-	-	(9,822,824)
Collateral received for securities sold under agreements to repurchase	-	-	-	-	(138,245,289)	(138,245,289)
Collateral received for Securities loaned	-	-	-	-	(14,046,867)	(14,046,867)
Other creditors	-	-	-	-	(41,915,873)	(41,915,873)
Creditors (amounts falling due after more than one year)	-	-	-	-	(3,779,155)	(3,779,155)
	5,464	21,662,460	6,557,349	173,554,868	(197,987,184)	3,792,957

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2015 (CONTINUED)

10. FINANCIAL INSTRUMENTS (CONTINUED)

	<u>2014</u>	<u>2014</u>	<u>2014</u>	<u>2014</u>	<u>2014</u>	<u>2014</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	8,157	-	-	-	-	8,157
Held for trading	-	283,440,081	-	-	-	283,440,081
Designated fair value through profit and loss	-	-	16,961,654	-	-	16,961,654
Collateral paid for securities purchased under agreements to resell	-	-	-	125,181,339	-	125,181,339
Collateral paid for securities borrowed	-	-	-	18,771,120	-	18,771,120
Other debtors	-	-	-	14,139,887	-	14,139,887
Investments - time deposits	-	-	-	995,868	-	995,868
Cash at bank and in hand	-	-	-	3,707,960	-	3,707,960
Financial Liabilities						
Held for trading	-	(258,468,036)	-	-	-	(258,468,036)
Designated fair value through profit and loss	-	-	(8,198,384)	-	-	(8,198,384)
Collateral received for securities sold under agreements to repurchase	-	-	-	-	(136,094,120)	(136,094,120)
Collateral received for securities loaned	-	-	-	-	(14,350,606)	(14,350,606)
Other Creditors	-	-	-	-	(35,900,301)	(35,900,301)
Creditors (amounts falling due after more than one year)	-	-	-	-	(6,153,087)	(6,153,087)
	<u>8,157</u>	<u>24,972,045</u>	<u>8,763,270</u>	<u>162,796,174</u>	<u>(192,498,114)</u>	<u>4,041,532</u>

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2015 (CONTINUED)

10. 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:

	2015 \$'000	2014 \$'000
Loans and receivables		
Collateral paid for securities purchased under agreements to resell	50,554,045	48,971,419
Collateral paid for securities borrowed	9,615,970	6,387,602
Other debtors	12,769,403	5,439,107
Investments - time deposits	195,687	738,202
	73,135,105	61,536,330
Financial liabilities at amortised cost		
Collateral received for securities sold under agreements to repurchase	(51,354,704)	(41,993,262)
Collateral received for securities loaned	(9,278,481)	(6,653,157)
Other creditors	(19,859,818)	(17,735,232)
Creditors (amounts falling due after more than one year)	(3,328,161)	(5,900,814)
	(83,821,164)	(72,282,465)

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:

	2015 \$'000	2014 \$'000
Financial assets		
Equity securities	9,328,714	15,560,426
Debt securities	40,644,897	54,885,658
Derivatives	345,904,319	213,002,154
Financial Instruments designated at fair value through profit and loss	16,380,173	16,961,654
	412,258,103	300,409,892
Financial liabilities		
Equity securities	(4,930,022)	(4,904,076)
Debt securities	(21,903,089)	(38,766,197)
Derivatives	(347,376,895)	(214,797,763)
Financial Instruments designated at fair value through profit and loss	(9,822,824)	(8,198,384)
	(384,032,830)	(266,666,420)

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2015 (CONTINUED)

10. 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:

	<u>2015</u> \$'000	<u>2014</u> \$'000
Financial assets		
Equity securities	514,023	371,387
Debt securities	256,262	264,169
Derivatives	179,427,428	109,365,974
Financial instruments designated at-fair value through profit and loss	70,072	-
	<u>180,267,785</u>	<u>110,001,530</u>
Financial liabilities		
Equity securities	(39,541)	(47,898)
Debt securities	(217,826)	(218,176)
Derivatives	(187,901,621)	(115,031,960)
Financial instruments designated at fair value through profit and loss	(1,899,151)	(2,409,453)
	<u>(190,058,139)</u>	<u>(117,707,487)</u>

Available-for-sale investments

Available-for-sale investments include unquoted equity instruments which are measured at cost because their fair value cannot be reliably measured. As at 31 March 2015, 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 \$5,464,142 (2014: \$6,948,307).

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 2015 (CONTINUED)

11. 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>2015</u>	<u>2015</u>	<u>2015</u>
	<u>Financial</u>	<u>Financial</u>	<u>Difference</u>
	<u>assets</u>	<u>liabilities</u>	
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Collateral received for securities sold under agreements to repurchase	23,774,048	(20,208,290)	3,565,758
Collateral received for securities loaned	3,076,024	(2,826,293)	249,731
Other	851,757	(851,757)	-
	<u>27,701,829</u>	<u>(23,886,340)</u>	<u>3,815,489</u>
	<u>2014</u>	<u>2014</u>	<u>2014</u>
	<u>Financial</u>	<u>Financial</u>	<u>Difference</u>
	<u>assets</u>	<u>liabilities</u>	
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Collateral received for securities sold under agreements to repurchase	41,220,876	(39,012,395)	2,208,481
Collateral received for securities loaned	2,324,834	(2,308,011)	16,823
Other	1,117,834	(1,117,834)	-
	<u>44,663,544</u>	<u>(42,438,240)</u>	<u>2,225,304</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 2015 (CONTINUED)

11. 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 asset 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>2015</u> <u>Total carrying value of</u> <u>financial assets with</u> <u>continuing involvement</u> \$'000	<u>2015</u> <u>Total carrying value of</u> <u>associated liabilities</u> \$'000	<u>2015</u> <u>Net economic</u> <u>exposure</u> \$'000
30,303	(30,303)	-
<u>2014</u> <u>Total carrying value of</u> <u>financial assets with</u> <u>continuing involvement</u> \$'000	<u>2014</u> <u>Total carrying value of</u> <u>associated liabilities</u> \$'000	<u>2014</u> <u>Net economic</u> <u>exposure</u> \$'000
52,290	(52,290)	-

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2015 (CONTINUED)

11. 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 \$244 billion (2014: \$230 billion). Of this amount, \$206 billion (2014: \$185 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 \$41 billion (2014: \$36 billion) of balances due to fellow Nomura Group undertakings. The corresponding obligation to return securities received which have been sold or repledged is \$0.9 billion (2014: \$1.7 billion), relating to special purpose vehicles.

12. OTHER DEBTORS

	2015 \$'000	2014 \$'000
Trade debtors	2,865,843	3,045,556
Broker balances	19,612,136	10,400,995
Taxation recoverable	287	9,918
Accrued interest and dividends receivable	73,443	148,472
Prepayments and accrued income	671,874	534,946
	23,223,583	14,139,887

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

	2015 \$'000	2014 \$'000
Trade debtors	256,242	467,178
Broker balances	11,905,096	4,532,037
Accrued interest and dividends receivable	33,031	15,329
Prepayments and accrued income	575,034	424,563
	12,769,403	5,439,107

Refer to note 18 for an aged analysis of Other debtors which are past due but not impaired.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2015 (CONTINUED)

13. OTHER CREDITORS

	<u>2015</u> \$'000	<u>2014</u> \$'000
Loans and overdrafts	1,881,232	4,229,407
Trade creditors	3,460,625	3,971,871
Broker balances	35,668,120	26,464,942
Taxation payable	1,328	435
Other tax and social security payable	12,904	23,764
Accrued interest and dividends payable	43,821	146,366
Accruals and deferred income	847,843	1,063,516
	<u>41,915,873</u>	<u>35,900,301</u>

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

	<u>2015</u> \$'000	<u>2014</u> \$'000
Loans and overdrafts	1,724,874	4,126,979
Trade creditors	424,994	426,816
Broker balances	17,215,125	12,862,213
Accrued interest and dividends payable	29,267	70,435
Accruals and deferred income	264,848	248,789
	<u>19,659,108</u>	<u>17,735,232</u>

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2015 (CONTINUED)

14. DEFERRED TAXATION

	<u>2015</u> \$'000	<u>2014</u> \$'000
Tangible fixed assets	65,948	29,696
FRS 26 transition liabilities	(8,813)	(17,626)
Other short-term timing differences	56,443	42,199
Unutilised tax losses	739,348	738,032
Deferred tax not provided	(852,926)	(792,301)
	-	-

Deferred taxation has been disclosed at 20% (2014: 20%) reflecting the reduction in the UK Corporation tax rate to 20% which takes effect from 1 April 2015 and which was enacted by the balance sheet date. The Company has unutilised losses arising of \$3,696,738,172 (2014: \$3,690,158,306) that are available for offset against future taxable profits. A deferred tax asset of \$739,347,634 (2014: \$738,031,661) has not been recognised in respect of these losses due to uncertainty surrounding the Company's future profitability. The Company has unutilized capital losses arising of \$7,681,182 (2014: \$7,528,779) that are available for offset against future capital gains. A deferred tax assets of \$1,536,236 (2014: \$1,505,756) has not been recognized in respect of these losses due to uncertainty surrounding the Company's future expectation of chargeable capital gains.

Provision for deferred tax comprises:	<u>2015</u> \$'000	<u>2014</u> \$'000
Timing differences	113,578	54,269
Losses	739,348	738,032
Deferred tax not provided	(852,926)	(792,301)
Total provision for deferred tax	-	-

From 1 April 2015 there is a 50% restriction on the amount of taxable profits that can be relieved by brought forward losses in existence at 31 March 2015. This restriction legislated by Finance (No.2) Bill 2015, was substantively enacted on 26 March 2015. The unrecognition of the deferred tax asset at 31 March 2015 takes into account this restriction.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2015 (CONTINUED)

15. CREDITORS FALLING DUE AFTER MORE THAN ONE YEAR

	<u>2015</u> \$'000	<u>2014</u> \$'000
Loans and overdrafts	1,054,155	678,087
Subordinated debt	2,725,000	5,475,000
	<u>3,779,155</u>	<u>6,153,087</u>

Included within creditor balances above are \$3,528,161,000 (2014: \$5,900,814,000) 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>2015</u> \$'000	<u>2014</u> \$'000
Long Term			
Nomura Europe Holdings plc	07 Mar 2020	-	1,100,000
Nomura Europe Holdings plc	11 Mar 2020	725,000	750,000
Nomura Europe Holdings plc	12 Mar 2020	700,000	700,000
Nomura Europe Holdings plc	15 May 2020	200,000	200,000
Nomura Europe Holdings plc	13 Apr 2020	500,000	500,000
Nomura Europe Holdings plc	23 Apr 2020	600,000	600,000
Perpetual			
Nomura Europe Holdings plc	Perpetual	-	1,625,000
		<u>2,725,000</u>	<u>5,475,000</u>

Following the year end, the maturity of the subordinated loan with a repayment date of 15 May 2020 was extended to 15 May 2025.

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	11 Mar 2020	LIBOR + 2.26%
Nomura Europe Holdings plc	12 Mar 2020	LIBOR + 2.26%
Nomura Europe Holdings plc	15 May 2020	LIBOR + 2.26%
Nomura Europe Holdings plc	23 Apr 2020	LIBOR + 2.26%
Nomura Europe Holdings plc	13 Apr 2020	LIBOR + 2.26%

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2015 (CONTINUED)

16. SHARE CAPITAL

<u>2015</u>	<u>Number</u> <u>'000</u>	<u>Fully paid</u> <u>consideration</u> <u>\$'000</u>
US Dollar Ordinary shares of \$1 each	8,376,226	8,376,226
		<u>8,376,226</u>
<u>2014</u>	<u>Number</u> <u>'000</u>	<u>Fully paid</u> <u>consideration</u> <u>\$'000</u>
US Dollar Ordinary shares of \$1 each	8,376,226	8,376,226
		<u>8,376,226</u>

The Company issued \$550,000,000 of ordinary shares to NEHS on 8 May 2015, increasing the total issued share capital to \$8,926,226,000.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2015 (CONTINUED)

17. RESERVES

	<u>Capital redemption reserve</u> \$'000	<u>Share- based payment expense reserve</u> \$'000	<u>Available- for-sale reserve</u> \$'000	<u>Profit and loss account</u> \$'000	<u>Other Reserve</u> \$'000	<u>Redenomi- nation Reserve</u> \$'000	<u>Share premium</u> \$'000
At 1 April 2014	184,499	688,150	12,033	(4,922,322)	(107,348)	25,921	27,479
Retained loss for the year	-	-	-	(460,312)	-	-	-
Foreign exchange loss	-	-	-	-	(12,563)	-	-
Share-based payment expense for the year	-	178,724	-	-	-	-	-
Gain on available-for-sale investments	-	-	681	-	-	-	-
Current tax charge recognised in the statement of total recognised gains and losses	-	-	(77)	-	-	-	-
Realised loss on available-for-sale investments reclassified to the profit and loss account on disposal	-	-	313	-	-	-	-
At 31 March 2015	184,499	866,874	12,950	(5,382,634)	(119,911)	25,921	27,479

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2015 (CONTINUED)

18. FINANCIAL RISK MANAGEMENT

The Company's activities involve both the assumption and transfer of certain risks which the Company must manage.

The Company defines risks as (i) the potential erosion of the Company's capital base due to unexpected losses arising from risks which its business operations are exposed, such as market risk, credit risk, operational risk and model risk, (ii) liquidity risk, the potential lack of access to funds or higher cost of funding than normal levels due to a deterioration in the Nomura Group's creditworthiness or deterioration in market conditions, and (iii) business risk, the potential failure of revenues to cover costs due to a deterioration in the earnings environment or a deterioration in the efficiency or effectiveness of its business operations.

The Capital Requirements Directive IV ("CRD IV"), including the Capital Requirements Regulation ("CRR"), requires the Company to publish both Pillar 3 and country by country reporting disclosures. This information has been made publically available on the below website:

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

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 exchanges 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.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2015 (CONTINUED)

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

The Role of Financial Instruments (continued)

Credit Derivatives	Asset swaps, credit default swaps, credit options, credit baskets, credit linked notes, synthetic collateralised debt obligation ("CDO") tranches, CDO squared tranches and combinations of these.
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The interest rate, credit, equity and foreign exchange risks that arise from activities using these products are managed through the Company's financial risk management objectives and policies, which are described in more detail in the next section.

Funding

The main unsecured funding sources used by the Treasury function include capital, intercompany borrowings and long term debt.

We typically fund trading activities on a secured basis through repurchase agreements, re-financing risk is managed with a range of measures including transacting with a significant number of counterparties over various durations.

Risk Management Structure

The Board of Directors of the Company 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 PRC 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 Internal Capital Adequacy Process ("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 Function

Treasury has responsibility for managing the firms' unsecured funding profile, Liquidity Portfolio and undertaking Liquidity Stress testing ensuring compliance with Board approved Liquidity Risk Appetite and Policies. The Treasury function reports to the Chief Financial Officer ("CFO") and is fully independent of the trading activities. The Treasury function is not authorised to take positions for its own account and it is not judged on the basis of profit.

Market Risk Management Department

The Market 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 2015 (CONTINUED)

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

Risk Management Structure (continued)

Credit Risk Management Department

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

Operational Risk Management Department

The Operational Risk Management 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 department is completely independent and separate from the Internal Audit function.

Finance Department

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

Risk Management Committee

On behalf of the European Management Committee of NEHS, the Risk Management Committee ("RMC") considers and monitors the risk exposures of the Company, including market, counterparty credit, operational, model, liquidity and business risks. The RMC is also responsible for the oversight of the Operational Risk Management Committee.

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 Chairman of the NEHS Audit Committee. 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 such techniques as inquiry and observation, sampling and in some cases substantive testing.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2015 (CONTINUED)

18. 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 issues 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 of loss arising from fluctuation in the value of financial assets and liabilities (including off-balance sheet items) due to fluctuations in market risk factors (interest rates, foreign exchange rates, prices of securities and others). The Company classifies exposures into either trading or non-trading portfolios. Trading portfolios are exposed to market risk and managed and monitored on a daily basis on a Value-at-Risk ("VaR") methodology. 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)

Effective management of market risk requires the ability to analyse a complex and constantly changing global market environment, identify problematic trends and ensure that appropriate action is taken in a timely manner. The Company uses a variety of statistical measurement tools to assess and monitor market risk on an ongoing basis including, but not limited to, Value at Risk ("VaR"), Stressed VaR ("SVaR") and Incremental Risk Charge ("IRC").

Within the Company, there is also a formal process for the allocation and management of economic capital (Nomura Capital Allocation Target or "NCAT"), which is facilitated through the capital allocation agenda discussed by the PRC. The PRC recommends any changes to the Board, who must opine and approve, if appropriate. Day-to-day responsibility for the NCAT calculation and the monitoring of risk limits, within the risk control framework, rests with the independent Risk Management department, which reports to the Chief Risk Officer of the Company.

NCAT is used 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.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2015 (CONTINUED)

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market Risk (continued)

A. Market Risk – Trading (continued)

Value at Risk

VaR is a measure of the potential loss due to adverse movements in market factors, such as equity prices, interest rates, credit, foreign exchange rates, and commodities with associated volatilities and correlations.

VaR Methodology Assumptions

The Nomura Group uses a single VaR model which has been implemented globally in order to determine the total trading VaR. A historical simulation is implemented where historical market moves over a two-year window are applied to the Company's current exposure, in order to construct a P&L distribution. Potential losses can be estimated at required confidence levels or probabilities. A scenario weighting scheme is employed to ensure that the VaR model responds to changing market volatility.

The Company uses the same VaR model for both internal risk management purposes and for regulatory reporting. For internal risk management purposes, VaR is calculated across the Company at a 99% confidence level and using a 1-day time horizon. For regulatory capital, the Company uses the same confidence level but a 10-day time horizon calculated using actual 10-day historical market moves.

To complement VaR under Basel 2.5 regulations, Nomura also computes SVaR, which samples from a one-year window during a period of financial stress. The SVaR window is regularly calibrated and observations equally weighted.

The Company's VaR model uses exact time series for each individual risk factor. However, if good quality data are not available, a 'proxy logic' maps the exposure to an appropriate time series. The level of proxying taking place 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.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2015 (CONTINUED)

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market Risk (continued)

A. Market Risk – Trading (continued)

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 trading losses with the corresponding VaR estimate. The Company's VaR model is backtested at different levels. Backtesting results are reviewed on a monthly basis by the Risk Management Division.

Limitations and Advantages of VaR

VaR aggregates risks from different asset classes in a transparent and intuitive way. However, there are limitations. VaR is a backward-looking measure: it implicitly assumes that distributions and correlations of recent factor moves are adequate to represent moves in the near future. VaR is appropriate for liquid markets and is not appropriate for risk factors that exhibit sudden jumps. Therefore it may understate the impact of severe events.

Given these limitations, Nomura uses VaR only as one component of a diverse risk management process.

The table on the next page illustrates, by major risk category, the VaR during the financial years ended 31 March 2015 and 31 March 2014. It shows the highest, lowest and average VaR during the financial year.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31-MARCH 2015 (CONTINUED)

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market Risk (continued)

A. Market Risk – Trading (continued)

	Average VaR 2015 \$'000	Min VaR 2015 \$'000	Max VaR 2015 \$'000	Average VaR 2014 \$'000	Min VaR 2014 \$'000	Max VaR 2014 \$'000
Equity VaR	5,715	2,083	14,197	6,097	2,127	16,443
Securitised Products VaR	571	-	1,278	-	-	34
Credit VaR	4,334	1,671	8,305	6,885	3,812	10,682
Interest Rates VaR	5,997	2,551	14,540	14,241	6,951	27,668
Inflation VaR	1,837	298	6,439	3,682	1,365	11,066
FX VaR	10,453	3,275	23,237	14,932	9,072	39,135
Commodity VaR	101	-	798	73	-	1,661
Diversification	(14,168)			(20,765)		
Total	14,840	7,088	27,185	25,145	14,421	36,938

The total average, minimum and maximum VaR values are shown over the full annual period. A large part of the reduction in the total average VaR during the fiscal year ended 31 March 2015 continued to be driven by the migration of certain positions to other Nomura Group entities.

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.

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 2015 (CONTINUED)

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk

Credit Risk Management

Credit risk is the risk of loss arising from an obligor or counterparty's default, insolvency or administrative proceeding which results in the obligor's failure to meet its contractual obligations in accordance with agreed terms. This includes both on and off-balance sheet exposures. It is also the risk of loss arising through a Credit Valuation Adjustment ("CVA") associated with deterioration in the creditworthiness of a counterparty.

Credit Risk Management Process

Credit Risk Management ("CRM") operates a credit risk control function within the Risk Management Division, reporting to the Chief Risk Officer ("CRO"). The process for managing credit risk at the Company includes:

- Evaluation of likelihood that a counterparty defaults on its payments and obligations;
- Assignment of internal credit ratings to all active counterparties;
- Approval of extensions of credit and establishment of credit limits;
- Measurement, monitoring and management of the firm's current and potential future credit exposures;
- Setting credit terms in legal documentation including margin terms;
- Use of appropriate credit risk mitigants including netting, collateral and hedging.

Credit Limits and Risk Measures

Internal ratings form an integral part in the assignment of credit limits to counterparties. The Company's credit limit framework is designed to ensure that the Company takes appropriate credit risk in a manner that is consistent with its risk appetite. Global Credit policies define the delegated authority matrices that establish the maximum aggregated limit amounts and tenors that may be set for any single counterparty group based on their internal rating.

The Company's main type of counterparty credit risk exposures arise from derivatives transactions or securities financing transactions. Credit exposures against counterparties are managed by means of setting credit limits based upon credit analysis of individual counterparty. Credit risk is managed daily through the monitoring of credit exposure against approved credit limits and the ongoing monitoring of the creditworthiness of the Company's counterparties.

Risk Mitigation

The Company utilises financial instruments, agreements and practices to assist in the management of credit risk. The Company enters into legal agreements, such as the International Swap and Derivatives Association, Inc ("ISDA") agreements or equivalent (referred to as "Master Netting Agreements"), with many of its counterparties. Master Netting Agreements allow netting of receivables and payables and reduce losses potentially incurred as a result of a counterparty default. Further reduction in credit risk is achieved through entering into collateral agreements that allow the Company to obtain collateral from counterparties either upfront or contingent on exposure levels, changes in credit rating or other factors.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2015 (CONTINUED)

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

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.

	<u>Maximum Exposure to Credit Risk 2015 \$m</u>	<u>Maximum Exposure to Credit Risk 2014 \$m</u>
Available-for-sale debt investments	5	8
Financial assets held for trading	395,872	283,440
Financial assets designated at fair value through profit and loss	16,380	16,962
Collateral paid for securities purchased under agreements to resell	129,332	125,181
Collateral paid for securities borrowed	17,537	18,771
Other debtors	23,224	14,140
Investments - Time deposits	450	996
Cash at bank and in hand	3,012	3,708
	<u>585,812</u>	<u>463,206</u>
Commitments to extend credit	2,062	1,783
Other commitments	-	3
	<u>2,062</u>	<u>1,786</u>
Total exposure to credit risk	<u>587,874</u>	<u>464,992</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 the total exposure to credit risk 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 2015 (CONTINUED)

18. 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.

Credit Rating	Maximum Exposure to Credit Risk	Maximum Exposure to Credit Risk
	2015 \$m	2014 \$m
AAA	10,316	14,051
AA	109,986	49,811
A	140,560	105,254
BBB	254,041	223,129
Non-Investment grade	63,962	58,797
Unrated	6,947	12,164
Total exposure to credit risk by credit rating	585,812	463,206

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 the Company's normal operation in derivative instruments, trading, securities financing transactions and underwriting activities, and may be impacted by changes in political or economic factors. The Company's significant single concentrations of credit risk are typically with strongly rated credit institutions in the US and Europe and benefit from credit risk mitigation such as bilateral collateral agreements.

The Company is exposed to significant counterparty credit risk from other Nomura Group undertakings. The maximum credit exposure to other Nomura Group undertakings is \$201 billion (2014: \$167 billion) and is rated using the Nomura Group's credit rating of A (2014: 'BBB').

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2015 (CONTINUED)

18. 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>2015</u>	<u>2014</u>
	<u>\$'000</u>	<u>\$'000</u>
Other debtors	818,404	1,123,920
Total	<u>818,404</u>	<u>1,123,920</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 (2014: \$nil).

As at 31 March 2015 the cumulative impairment loss on available-for-sale investments was \$nil (2014: \$nil).

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2015 (CONTINUED)

18. 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. This risk could arise from various scenarios and could be due both to Nomura-specific and market-wide events. The Company's primary liquidity risk management objective is to ensure continuous liquidity across market cycles and periods of market stress, and to ensure that all funding requirements and unsecured debt obligations that fall due within Board-established survival horizons and risk tolerances can be met without any reliance on additional unsecured funding or forced liquidation of assets.

The Company's Maximum Cumulative outflow ("MCO") model quantifies the amount of liquidity required to survive the approved stress scenarios. The Company manages liquidity risk on a self-sufficiency basis and controls liquidity usage via an unsecured funding limit framework. The Liquidity Portfolio held in the form of highly liquid, unencumbered securities and central bank deposits, ensures that sufficient liquidity is held locally to meet the modeled requirements.

The Company as a UK regulated entity is fully compliant with the UK Prudential Regulation-Authority ("PRA") prescribed liquidity requirements.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2015 (CONTINUED)

18. 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>Less</u> <u>than 30</u> <u>days</u>	<u>31 – 90</u> <u>days</u>	<u>91 days</u> <u>– 1 year</u>	<u>1 – 5</u> <u>years</u>	<u>Later</u> <u>than 5</u> <u>years</u>	<u>Total</u>
	<u>2015</u> \$m	<u>2015</u> \$m	<u>2015</u> \$m	<u>2015</u> \$m	<u>2015</u> \$m	<u>2015</u> \$m	<u>2015</u> \$m
Financial liabilities held for trading – derivatives	322,085	6,257	6,069	8,961	3,739	266	347,377
Financial liabilities held for trading – non derivatives	26,833	-	-	-	-	-	26,833
Financial liabilities designated at fair value	2,561	3,458	762	203	2,650	189	9,823
Collateral received for securities sold under agreements to repurchase	24,240	97,508	8,887	6,810	801	-	138,246
Collateral received for securities loaned	14,046	1	-	-	-	-	14,047
Other Creditors	40,991	31	-	-	-	-	41,022
Creditors (amounts falling due after more than one year)	-	-	-	-	1,428	2,351	3,779
	430,756	107,255	15,718	15,974	8,618	2,806	581,127
Other commitments	-	-	107	47	1,511	397	2,062
Standby letters of credit and other guarantees	-	-	-	-	-	-	-
	-	-	107	47	1,511	397	2,062
Total exposure to liquidity risk	430,756	107,255	15,825	16,021	10,129	3,203	583,189

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2015 (CONTINUED)

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity Risk (continued)

Contractual Maturity Table

	<u>On</u> <u>demand</u>	<u>Less</u> <u>than 30</u> <u>days</u>	<u>31 – 90</u> <u>days</u>	<u>91 days</u> <u>– 1 year</u>	<u>1 – 5</u> <u>years</u>	<u>Later</u> <u>than 5</u> <u>years</u>	<u>Total</u>
	<u>2014</u> \$m	<u>2014</u> \$m	<u>2014</u> \$m	<u>2014</u> \$m	<u>2014</u> \$m	<u>2014</u> \$m	<u>2014</u> \$m
Financial liabilities held for trading – derivatives	205,923	2,446	1,833	2,716	1,778	102	214,798
Financial liabilities held for trading – non derivatives	43,670	-	-	-	-	-	43,670
Financial liabilities designated at fair value	731	1,386	1,599	804	3,087	591	8,198
Collateral received for securities sold under agreements to repurchase	26,191	-86,811	11,525	11,284	283	-	136,094
Collateral received for securities loaned	10,886	3,465	-	-	-	-	14,351
Other creditors	29,705	3,856	1,129	-	-	-	34,690
Creditors (amounts falling due after more than one year)	-	-	-	-	497	5,656	6,153
	317,106	97,964	16,086	14,804	5,645	6,349	457,954
Other commitments	-	-	-	435	1,151	196	1,782
Standby letters of credit and other guarantees	-	-	-	-	-	3	3
	-	-	-	435	1,151	199	1,785
Total exposure to liquidity risk	317,106	97,964	16,086	15,239	6,796	6,548	459,739

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2015 (CONTINUED)

18. 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 demand</u> <u>2015</u> \$m	<u>Less than</u> <u>30 days</u> <u>2015</u> \$m	<u>31 – 90</u> <u>days</u> <u>2015</u> \$m	<u>91 days – 1</u> <u>year</u> <u>2015</u> \$m	<u>1 – 5</u> <u>years</u> <u>2015</u> \$m	<u>Later</u> <u>than</u> <u>5</u> <u>years</u> <u>2015</u> \$m	<u>Total</u> <u>2015</u> \$m
Cash at bank and in hand	3,012	-	-	-	-	-	3,012
Available-for-sale							
Investments	5	-	-	-	-	-	5
Financial assets held for trading – derivatives	320,203	6,534	6,446	8,809	3,651	261	345,904
Financial assets held for trading – non derivatives	49,968	-	-	-	-	-	49,968
Financial assets designated at fair value	11,069	1,959	1,439	1,043	870	-	16,380
Collateral paid for securities purchased under agreement to resell	22,210	96,388	6,291	3,807	614	23	129,333
Collateral paid for securities borrowed	16,411	828	271	27	-	-	17,537
Other debtors	21,527	951	-	-	-	-	22,478
Investments - time deposits	450	-	-	-	-	-	450
Total exposure to liquidity risk	444,855	106,660	14,447	13,686	5,135	284	585,067

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2015 (CONTINUED)

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity Risk (continued)

Contractual Maturity Table

	<u>On demand</u>	<u>Less</u>	<u>31 – 90</u>	<u>91 days –</u>	<u>1 – 5</u>	<u>Later</u>	
	<u>2014</u>	<u>than 30</u>	<u>days</u>	<u>1 year</u>	<u>years</u>	<u>than 5</u>	<u>Total</u>
	<u>\$m</u>	<u>days</u>	<u>2014</u>	<u>2014</u>	<u>2014</u>	<u>2014</u>	<u>2014</u>
		<u>\$m</u>	<u>\$m</u>	<u>\$m</u>	<u>\$m</u>	<u>\$m</u>	<u>\$m</u>
Cash at bank and in hand	3,708	-	-	-	-	-	3,708
Available-for-sale Investments	8	-	-	-	-	-	8
Financial assets held for trading – derivatives	204,189	2,410	1,763	2,817	1,729	94	213,002
Financial assets held for trading – non derivatives	70,438	-	-	-	-	-	70,438
Financial assets designated at fair value	4,693	9,431	1,706	544	50	538	16,962
Collateral paid for securities purchased under agreement to resell	30,685	73,754	12,323	6,502	1,917	-	125,181
Collateral paid for securities borrowed	10,953	7,509	309	-	-	-	18,771
Other debtors	12,334	1,124	-	-	-	-	13,458
Investments - time deposits	933	61	1	-	-	-	995
	<u>337,941</u>	<u>94,289</u>	<u>16,102</u>	<u>9,863</u>	<u>3,696</u>	<u>632</u>	<u>462,523</u>

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2015 (CONTINUED)

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. It 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 Group's reputation if caused by an operational risk. The Company uses the Nomura Group's Operational Risk Management ("ORM") framework for the management of the Company's operational risk.

The Three Lines of Defence

The Nomura Group adopts the industry standard "Three Lines of Defence" for the management of operational risk, comprising:

- 1st Line of Defence: The business which owns and manages its risks
- 2nd Line of Defence: The ORM function, which defines and co-ordinates the Nomura Group's operational risk strategy and framework and provides challenge to the 1st Line of Defence
- 3rd Line of Defence: Internal and External Audit, who provide independent assurance

The Nomura Group's ORM framework is set out below:

Infrastructure of the framework

- Policy framework: Sets standards for managing operational risk and details how to monitor adherence to these standards
- Training and awareness: Action taken by ORM to improve business understanding of operational risk

Products and Services

- Risk and Control Self-Assessment ("RCSA"): The process used by business units to identify and assess the operational risks to which they are exposed, the controls in place to mitigate risks, and action plans to further reduce risk.
- Scenario Analysis: Process to identify and assess high impact, low probability 'tail events'
- Event Reporting: Process to obtain information on and learn from actual events impacting the Nomura Group and relevant external events. A key step is to identify appropriate action plans to prevent or mitigate future occurrence of events.
- Key Risk Indicators ("KRI"): Metrics which allow monitoring of certain key operational risks and trigger appropriate responses as thresholds are breached.
- Outputs
- Analysis and reporting: A key aspect of ORM's role is to analyse, report, and challenge operational risk information provided by business units, and work with business units to develop action plans to mitigate risks.
- Operational risk capital calculation: Calculate operational risk capital as required under applicable Basel standards and local regulatory requirements

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2015 (CONTINUED)

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

Model Risk

Model risk is the risk arising from model errors or incorrect or inappropriate model application, which can lead to financial loss, poor business and strategic decision making, restatement of external and internal reports, regulatory penalties and damage to the Company's reputation.

Errors can occur at any point from model assumptions through to implementation. In addition, the quality of model outputs depends on the quality of model parameters and any input data. Even a fundamentally sound model producing accurate outputs consistent with the design objective of the model may exhibit high model risk if it is misapplied or misused.

The Nomura Group has documented policies in place, which define the process and validation procedures required in order to implement new or amend existing valuation and risk models. Before models are put into official use, the Model Validation Group ("MVG") is responsible for validating their integrity and comprehensiveness independently from those who design and build them. All models are also subject to an annual re-approval process by MVG to ensure they remain suitable. For changes with an impact above certain materiality thresholds, model approval is required.

Business Risk

Business risk is the risk of failure of revenues to cover costs due to a deterioration in the earnings environment or a deterioration in the efficiency or effectiveness of the Nomura Group's business operations. Managing business risk is the responsibility of Nomura Group's Executive Managing Directors and Senior Managing Directors.

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 \$69,009,600 (2014: \$57,856,016).

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 a profit of \$144,203,073 (2014: profit of \$111,716,062).

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2015 (CONTINUED)

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

Fair values of financial assets and financial liabilities (continued)

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:

	<u>2015</u> \$'000	<u>2014</u> \$'000
As at 1 April	4,857	14,985
New transactions	7,454	7,536
Redemptions and terminations	(3,998)	(17,664)
As at 31 March	<u>8,313</u>	<u>4,857</u>

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>2015</u> \$m	<u>2014</u> \$m
Bond and equity derivatives	286	(1,320)
Convertible bonds	(523)	(861)
Equities	2,631	5,005
Warrants	40	115
Government bonds	(1,442)	406
Bank and corporate bonds	559	362
Interest rate derivatives	166	(50)
Currency derivatives	(213)	1,255
Credit derivatives	(172)	(3,673)
	<u>1,332</u>	<u>1,239</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.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2015 (CONTINUED)

19. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

- a) The fair value of loans and receivables and other liabilities due within 12 months are assumed to approximate to their carrying values.
- b) 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.
- c) 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.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2015 (CONTINUED)

19. 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 2015

	<u>Level 1</u> \$'000	<u>Level 2</u> \$'000	<u>Level 3</u> \$'000	<u>Total</u> \$'000
Financial Assets				
- Equities	8,255,223	1,049,463	24,028	9,328,714
- Debt securities and loans	24,637,338	15,341,491	666,067	40,644,896
- Derivatives	-	342,855,190	3,049,131	345,904,321
Designated at fair value through profit and loss	-	16,380,173	-	16,380,173
	<u>32,892,561</u>	<u>375,626,317</u>	<u>3,739,226</u>	<u>412,258,104</u>

	<u>Level 1</u> \$'000	<u>Level 2</u> \$'000	<u>Level 3</u> \$'000	<u>Total</u> \$'000
Financial Liabilities				
- Equities	(4,660,482)	(261,784)	(7,756)	(4,930,022)
- Debt securities and loans	(13,194,151)	(8,708,913)	(25)	(21,903,089)
- Derivatives	-	(344,196,651)	(3,180,244)	(347,376,895)
Designated at fair value through profit and loss	(401,614)	(9,358,431)	(62,779)	(9,822,824)
	<u>(18,256,247)</u>	<u>(362,525,779)</u>	<u>(3,250,804)</u>	<u>(384,032,830)</u>

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2015 (CONTINUED)

19. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

As at 31 March 2014

	<u>Level 1</u> \$'000	<u>Level 2</u> \$'000	<u>Level 3</u> \$'000	<u>Total</u> \$'000
Financial Assets				
- Equities	14,125,658	1,162,048	272,720	15,560,426
- Debt securities and loans	35,045,068	19,534,750	305,840	54,885,658
- Derivatives	2,270,663	207,572,747	3,158,744	213,002,154
Designated at fair value-through profit and loss	707,402	16,254,252	-	16,961,654
	<u>52,148,791</u>	<u>244,523,797</u>	<u>3,737,304</u>	<u>300,409,892</u>

	<u>Level 1</u> \$'000	<u>Level 2</u> \$'000	<u>Level 3</u> \$'000	<u>Total</u> \$'000
Financial Liabilities				
- Equities	(4,698,123)	(205,482)	(471)	(4,904,076)
- Debt securities and loans	(25,410,397)	(13,355,800)	-	(38,766,197)
- Derivatives	(2,809,460)	(209,118,026)	(2,870,277)	(214,797,763)
Designated at fair value through profit and loss	(748,499)	(6,896,914)	(552,971)	(8,198,384)
	<u>(33,666,479)</u>	<u>(229,576,222)</u>	<u>(3,423,719)</u>	<u>(266,666,420)</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 2015 (CONTINUED)

19. 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 2014	Total gains (losses) in P&L	Purchase	Sales	Settlements	Net transfers in/ (out of) level 3	At 31 March 2015	Unrealised Total gains (losses) in P&L
Financial Assets								
Financial assets held for trading								
- Equities	272,720	(113,836)	7,855	(154,635)	-	11,924	24,028	(223,944)
- Debt securities and loans	305,840	258,038	292,159	(221,636)	-	31,666	666,067	264,977
- Derivatives	3,158,744	363,910	-	-	(401,760)	(71,763)	3,049,131	222,122
	3,737,304	508,112	300,014	(376,271)	(401,760)	(28,173)	3,739,226	263,155

	At 1 April 2014	Total gains (losses) in P&L	Purchase	Sales	Settlements	Net transfers in/ (out of) level 3	At 31 March 2015	Unrealised Total gains (losses) in P&L
Financial Liabilities								
Financial liabilities held for trading								
- Equities	(471)	419	(8,332)	628	-	-	(7,756)	(22,539)
- Debt securities and loans	-	-	(25)	-	-	-	(25)	(25)
- Derivatives	(2,870,273)	(307,139)	-	-	(199,574)	196,742	(3,180,244)	(232,865)
Financial liabilities designated fair value through profit and loss:								
- Loans and receivables	(552,971)	(94,692)	-	615,994	-	(31,110)	(62,779)	98,232
	(3,423,715)	(401,412)	(8,357)	616,622	(199,574)	165,632	(3,250,804)	(157,197)

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 2015 (CONTINUED)

19. 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 2015

	<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	316,917	903,062
- Debt Securities	72,698	3,108
- Derivatives	376,664	-
	<u>766,279</u>	<u>906,170</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	(162,357)	(323,250)
- Debt Securities	-	(22,515)
- Derivatives	(614,994)	-
	<u>(777,351)</u>	<u>(345,765)</u>

As at 31 March 2014

	<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	131,897	1,229,704
- Debt Securities	29,810	8,947
	<u>161,707</u>	<u>1,238,651</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	(107,263)	(580,322)
- Debt Securities	(2,733)	-

(109,996) (580,322)

During the year ended 31 March 2015, the amount of \$376,664,212 of equity derivative assets and \$614,994,105 of equity derivative liabilities were transferred from Level 1 to Level 2. The fair values of certain exchange-traded equity derivatives have been determined using a model price rather than exchange price. Use of a model price is more representative of fair value than exchange price because of the higher volume and frequency of trading in the underlying equity instruments.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2015 (CONTINUED)

20. 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 PRA under the CRD IV 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 PRA for supervisory purposes define two '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 consists of long-term subordinated debt. Tiers 1 and 2 capital can be used to support both trading and non-trading activity and all market and counterparty risks.

	2015 \$'000	2014 \$'000
Common Equity Tier 1	3,991,404	4,224,512
Adjustments to CET 1 due to prudential filters	(200,297)	(251,923)
Tier 1 Capital	3,791,107	3,972,589
Tier 2 Capital	2,710,347	5,475,000
Own Funds	6,501,454	9,447,589

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2015 (CONTINUED)

21. OPERATING LEASE COMMITMENTS

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

	<u>2015</u> <u>Buildings</u> \$'000	<u>2015</u> <u>Other</u> \$'000	<u>2014</u> <u>Buildings</u> \$'000	<u>2014</u> <u>Other</u> \$'000
Within one year	3,900	-	-	1,346
Within two to five years	10,865	148	5,330	145
After five years	50,030	-	63,422	-
	<u>64,795</u>	<u>148</u>	<u>68,752</u>	<u>1,491</u>

22. 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 2015</u> Number	<u>Year ended</u> <u>31 March 2014</u> Number
United Kingdom	2,498	2,419
Other Europe	110	70
Middle East	27	32
	<u>2,635</u>	<u>2,521</u>

23. DIRECTORS' REMUNERATION

	<u>Year ended</u> <u>31 March 2015</u> \$'000	<u>Year ended</u> <u>31 March 2014</u> \$'000
Salaries, allowances and taxable benefits	3,641	4,786
Company contributions to pension	75	108
Bonuses	1,928	3,251
	<u>5,644</u>	<u>8,145</u>

The number of Directors who exercised share options during the year was five (2014: 4). No Directors were entitled to receive shares under long-term incentive plans during the year (2014: nil).

The number of Directors accruing retirement benefits under money purchase pension schemes during the year was four (2014: 4).

The highest paid Director received emoluments of \$1,181,661 (2014: \$1,982,492) and Company contributions to pension of \$34,398 (2014: \$60,880). The highest paid Director exercised share options during both 2014 and 2015.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2015 (CONTINUED)

24. SHARE-BASED PAYMENTS

The ultimate holding company, NHI, has issued two types of share option schemes – SAR plan A and SAR 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 at the time the options are granted, whilst that of stock option plan B will be 1¥ per share.

For both stock option plans, these stock options are exercisable during a certain period from the vesting date (five years at maximum from the vesting date), which is to be decided by the ultimate holding company's Executive Management Board.

The following table for stock option-plan A lists the inputs to the model used for the year ended 31 March 2015:

<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	¥
01-Aug-07	3.04	33.85	1.65	7	2,210
05-Aug-08	3.78	32.73	1.43	7	1,493

The following table for stock option plan A lists the inputs to the model used for the year ended 31 March 2014:

<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	¥
14-Jul-06	3.08	36.48	1.68	7	2,020
01-Aug-07	3.04	33.85	1.65	7	2,210
05-Aug-08	3.78	32.73	1.43	7	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 \$178,723,898 (2014: \$105,664,000).

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2015 (CONTINUED)

24. 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, generally over three years from grant date. NSUs vest annually, generally over three years while CSUs vest quarterly, generally over three years. NSUs are tied to the value of the ultimate holding company's common stock on the Tokyo Stock Exchange (JP: 8604) and 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 average closing NHI share price over the five trading days up to and including the vesting date.

For NSU and CSU awards the expense recognised for employee services received during the year was \$142,453,241 (2014: \$176,422,058).

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, generally over three-years from grant date. NIUs vest quarterly, generally over three years. The fair value of NIUs is determined using the average closing price of the Index during the five trading days up to and including the vesting date.

For NIU awards the expense recognised for employee services received during the year was \$42,101,694 (2014: \$48,570,772).

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	90	232
	B	480,794	1
	NSU	10,586,796	
	CSU	32,037,938	
	NIU	14,225,157	
			<u>57,330,775</u>

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2015 (CONTINUED)

24. SHARE-BASED PAYMENTS (CONTINUED)

	Share Option Plan	Number of share options	Weighted average exercise price ¥
Granted during the year	A	-	-
	B	269,945	1
	NSU	6,306,718	
	CSU	12,037,391	
	NIU	6,216,710	
		24,830,764	
Forfeited during the year	A	-	-
	-B-	(9,630)	1-
	NSU	(331,228)	
	CSU	(588,271)	
	NIU	(417,802)	
		(1,346,931)	
Exercised during the year	A	-	-
	B	(200,389)	1
	NSU	(9,126,548)	
	CSU	(17,540,050)	
	NIU	(8,261,848)	
		(35,128,835)	
Expired during the year	A	(60)	-
	B	(114)	1
	NSU	-	
	CSU	-	
	NIU	-	
		(174)	
Outstanding at the end of the year	A	30	232
	B	540,606	1
	NSU	7,435,738	
	CSU	25,947,008	
	NIU	11,762,217	
		45,685,599	
Exercisable at the end of the year	A	-	-
	B	-	1

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2015 (CONTINUED)

25. CAPITAL COMMITMENTS

As at 31 March 2015 there were capital commitments of \$20,108,302 relating to assets in the course of construction (2014: \$21,341,734).

26. 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 NHI.

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 2015 and 31 March 2014, aggregate amounts due from such related parties of \$416,947 and \$458,482, respectively, had been fully provided for.

27. 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, plus interest, already refunded. On 25 March 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 the 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 second decision was issued by the Second Instance Pescara Tax Court in favour of the Italian Tax Authorities. As is allowed under Italian tax procedure, in September 2012 the Company received a demand for payment from the Italian Tax Authorities in the amount of €37.5 million which comprised the original refunded amount, interest and collection fees. Payment of this amount was made on 26 October 2012. Payment does not undermine the Company's arguments in the dispute and the Company intends to continue to vigorously challenge the second decision and a further appeal to the Supreme Court in Rome was filed on 8 July 2013 in order to seek full reimbursement of this amount plus further interest. Ultimately the Company expects that its appeal will prevail. The specified amount paid is the Company's current estimate of the maximum reasonably possible loss from this matter.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2015 (CONTINUED)

27. CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

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 removed to the US District Court, which in turn referred it 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. Again, this claim is one of many claims being brought against a range of investors. The amount claimed in each case is approximately US\$35 million plus interest. The Company intends to vigorously contest the proceedings. The Company does not believe that it will face the prospect of double recovery of the sums in question. The Company's current estimate of the maximum reasonably possible loss from this matter is US\$35 million.

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 allegedly made by Harley International (Cayman) Ltd. (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 US\$21.5 million plus interest. The Company, 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, which the US District Court granted. The Company intends to vigorously contest the proceedings. The specified amount claimed is the Company's current estimate of the maximum reasonably possible loss from this matter.

Collateral dispute

On 1 March 2011, formal proceedings were commenced in the Commercial Court of the Canton of Zurich (the "Commercial Court") against Tarquin Limited ("Tarquin"), a special purpose company established at the request of the Company, in which PT Bank Mutiara Tbk. ("Bank Mutiara") challenged Tarquin's rights over US\$155 million previously on deposit in a bank account held with Dresdner Bank (Schweiz) ("Dresdner") over which Tarquin had a security interest pursuant to a loan facility. These funds were deposited with the Cantonal Bank of Zurich by order of the Commercial Court, following a request by Dresdner for the Commercial Court to decide who should receive the funds. On 2 October 2014, the Company was notified that the Commercial Court had found that Tarquin alone is entitled to the funds. Bank Mutiara appealed this decision and on 9 July 2015, the Swiss Federal Supreme Court upheld the original decision of the Commercial Court. There is no further right of appeal so the judgment is final and the funds will now be released to the Company.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2015 (CONTINUED)

27. CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

Legal proceedings relating to Banca Monte dei Paschi di Siena SpA

In March 2013, Banca Monte dei Paschi di Siena SpA ("MPS") issued a claim in the Italian Courts against two former directors of MPS and NIP. MPS currently alleges that the former directors improperly caused MPS to enter into certain structured financial transactions with NIP in 2009 (the "Transactions") and alleges that NIP has acted fraudulently and is jointly liable for the unlawful conduct of MPS's former directors. MPS is claiming damages of not less than EUR1.142 billion. In July 2013 a claim was also issued against the same former directors of MPS, and NIP, by the shareholder group Fondazione Monte dei Paschi di Siena ("FMPS"). The grounds of the FMPS claim are similar to those on which the MPS claim is founded. The level of damages sought by FMPS is not specified. NIP has filed and served its Defences to both the MPS and the FMPS claims.

An investigation has also been commenced by the Public Prosecutor's office in Siena, Italy, into various allegations against MPS and certain of its former directors, including in relation to the Transactions. Starting on 15 April 2013, the Public Prosecutor in Siena issued seizure orders in relation to the Transactions seeking to seize the Transactions and approximately EUR 1.9 billion of assets said to be held or receivable in various NIP and Nomura Bank International plc ("NBI") accounts in, or managed through, Italy and alleging that the Transactions involved offences under Italian law. To date, these seizure orders have not been validated by the Italian Courts. The Public Prosecutor lodged an appeal against the Italian Courts' decisions, which was heard at the Supreme Court in Rome on 25 March 2014. The Supreme Court determined that the appeal should be denied in part, but that the case should be sent back to the lower court for further consideration in relation to one element of the case. At a hearing on September 17, 2014 where the seizure order was to be reconsidered, the Public Prosecutor's office withdrew its seizure order appeal. This means that the seizure order proceedings in Siena have now concluded with no seizure order in place against NIP or NBI.

On April 3, 2015, the Public Prosecutor's office in Milan issued a notice concluding its preliminary investigation. The Public Prosecutor is seeking to indict MPS, three individuals from MPS's former management, NIP and two NIP individuals for the offences of false accounting and market manipulation in relation to MPS's accounts for 2009. The preliminary hearing at which the court will consider whether or not to grant the indictment is scheduled to start on 12 October 2015.

Additionally, NIP commenced a claim against MPS in the English Courts in March 2013. The claim is for declaratory relief confirming that the Transactions remain valid and contractually binding. MPS filed and served its Defence and Counterclaim to these proceedings in March 2014. MPS alleges in its Counterclaim that NIP is liable to make restitution of a net amount of approximately EUR 1.5 billion, and seeks declarations regarding the illegality and invalidity of the Transactions.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2015 (CONTINUED)

27. CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

Legal proceedings relating to Banca Monte dei Paschi di Siena SpA (Continued)

NIP filed and served its Reply and Defence to Counterclaim in June 2014 and continues to vigorously defend its position in each of the aforementioned proceedings. It is not possible for the Company to estimate the amount of reasonably possible loss in these proceedings. Numerous legal and factual issues may need to be resolved, including through potentially lengthy discovery and determination of important factual matters, and by addressing novel or unsettled legal questions relevant to the proceedings in question, before the amount of any potential liability can be reasonably estimated for these claims. The Company cannot predict if, how, or when the claims will be resolved or what any eventual settlement, fine, penalty or other relief may be, particularly since the claims are at an early stage in their development and the claimants are seeking substantial damages.

Region of Sicily

On 15 July 2014, the Company received an order dated 7 July 2014 from the Court in Palermo, Sicily which restricted receipt of a coupon payment of €6.9m that was due from the Region of Sicily to the Company in connection with certain interest rate derivatives transactions entered into in 2005 and 2006. On 25 July 2014, the Company also received an order dated 23 July 2014 from the Court which placed restrictions on a further €98.3 million of cash and other financial assets, said to be the alleged profit made by the Company in connection with certain transactions entered between 2001 and 2006. The Company successfully appealed both seizure orders which have therefore been annulled by the Court in Palermo. The current transaction with Sicily remains in force. At this stage there are no unresolved civil or criminal proceedings served against the Company.

Commitments

The Company had commitments as at 31 March 2015 amounting to \$2,061,415,000 (2014: \$1,786,000,000) in respect of undrawn loan facilities.

28. EVENTS SINCE THE BALANCE SHEET DATE

The Company issued \$550,000,000 of ordinary shares to NEHS on 08 May 2015

29. 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.