NOMURA

NOMURA INTERNATIONAL PLC

ANNUAL REPORT

31 MARCH 2010

COMPANY REGISTERED NUMBER 1550505

NOMURA INTERNATIONAL PLC

YEAR ENDED 31 MARCH 2010

DIRECTORS' REPORT

The Directors of Nomura International plc ("the Company") present their report and the financial statements for the year ended 31 March 2010.

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

PRINCIPAL ACTIVITIES

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

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

The Company has branches in Madrid, Dubai and Doha.

RESULTS AND DIVIDEND

The results for the year are set out on page 9. The profit transferred to reserves for the year amounted to £100,617,000 (2009: loss of £1,300,415,000).

No interim dividends were paid (2009: £Nil) and the Directors do not recommend the payment of a final dividend (2009: £Nil).

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

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

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Trading profit/ (loss)	1,710,645	(208,563)
Profit/ (loss) on ordinary activities before taxation	141,354	(1,348,714)
Profit/ (loss) on ordinary activities after taxation	100,617	(1,300,415)
Shareholders' funds	1,564,244	1,156,855

The Company has seen a significant turnaround in its Profit/ (loss) on ordinary activities before taxation from a loss of £1,348,714,000 in the year ended 31 March 2009 to a profit of £141,354,000 in the year ended 31 March 2010.

Over the past year the Company has seen a positive result from its expanded business platform following the acquisition of certain Lehman Brothers operations in October 2008. It increased client driven fixed income and equity trading in both Europe and overseas, by enhancing services related to European and global financial products and serving clients with its advanced technologies. It also undertook cost reduction initiatives, including increased use of the Nomura Group's service-related firms in India.

This result was in contrast to the year ended 31 March 2009, when difficult trading conditions and the failures of certain financial institutions resulted in significant losses for the Company.

NOMURA INTERNATIONAL PLC

YEAR ENDED 31 MARCH 2010

DIRECTORS' REPORT (CONTINUED)

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS (CONTINUED)

To achieve sustainable growth and to allow for changes in market and regulatory environments in the wake of the financial crisis, the Company has strengthened its capital base. In April 2009, it issued £275,000,000 of ordinary shares and £1,000,000,000 of subordinated debt and in May 2010, it issued $350,000,000 of ordinary shares and $600,000,000 of subordinated debt to Nomura Europe Holdings plc ("NEHS"), its immediate parent undertaking.

In August 2009, Nomura Properties plc, a fellow subsidiary of NHI, entered into a 20 year lease as tenant of Watermark Place, a 525,000 square foot development at One Angel Lane in the City of London. The Company will use this building as its headquarters. The office fit out commenced in August 2009 and the expected completion date is December 2010.

In December 2009, the Company announced the acquisition of Tricorn Partners LLP, a London based corporate finance advisory firm. The acquisition will complement the Company's existing UK investment banking business, enhancing the strategic advice offered to major UK and international corporate clients.

In April 2010, the Nomura Group established the Wholesale Division, encompassing the operations previously conducted by its Global Markets Division, Investment Banking Division and Merchant Banking Division. As a key member of the Wholesale Division, the Company will leverage its global trading infrastructure and business franchise to deliver high value-added products and solutions to its expanded client base.

RISK MANAGEMENT

The Company's activities involve the assumption and transfer of certain risks, including market risk, credit risk (including counterparty credit risk), liquidity risk, cash flow interest rate risk and operational risk. Further information on these risks and the Company's risk management objectives and policies are described in note 21 to the financial statements.

During the year under review, the Company's immediate parent, NEHS, reviewed its existing committee structure in light of business resumption and industry guidance, resulting in the adoption of new committees within the structure. These include a Board Risk Committee, having oversight of and providing advice to the Board on the group's risk profile, risk appetite, future risk strategy and maintenance of an appropriate risk control framework. The group also established a committee dedicated to overseeing risks in relation to non-Europe Middle East and Africa (EMEA) business booked into certain European entities, including the Company.

EMPLOYEE MATTERS

The Company views talented personnel as key assets. Its aim is to ensure each and every individual is shown respect, treated fairly, consistently and courteously and has equal access to further opportunity and reward based on contribution to the Company.

The Company operates an equal opportunities policy. The Company has taken steps to ensure all employees are fully aware of their obligations in ensuring that the workplace promotes an atmosphere that is conducive to good working and encourages high standards of conduct and work performance. The Company's recruitment, training and promotion procedures are all based on the requirements of a particular position and appointing the best person for the job.

NOMURA INTERNATIONAL PLC

YEAR ENDED 31 MARCH 2010

DIRECTORS' REPORT (CONTINUED)

EMPLOYEE MATTERS (CONTINUED)

The Company is committed to taking positive action to promote equality of opportunity, which includes provision for disabled people and those who have become disabled whilst employed by the Company.

ENVIRONMENT

As a group, Nomura is keen to follow environmental best practice guidelines and do what it can to reduce its environmental impact.

Environmental policy is a key consideration in managing the Company's premises. The transformation of the Company's UK head office, Nomura House, through an extensive refurbishment programme and the implementation of an ambitious environmental policy have led to many initiatives that reduce energy consumption and manage waste efficiently. Nomura House was awarded ISO 14001 Certification, the international standard for environmental management systems, demonstrating Nomura's continued commitment to the environment.

At its Bank Street premises in Canary Wharf, the Company has developed good energy and waste management practices in conjunction with the building management team there, as well as implementing Nomura lead initiatives to further support our commitment.

The Company will shortly be occupying new premises at One Angel Lane, in the City. The building has been designed to the highest standard of environmental performance and has been awarded an "excellent" rating by the Building Research Establishment's BREEAM accreditation system and has also achieved a 'B' rating Energy Performance certificate - one of the highest ratings possible for a London office building.

TANGIBLE FIXED ASSETS

Movements in tangible fixed assets are shown in note 10 to the financial statements. Additions during the year relate primarily to construction in progress for the fit out of One Angel Lane.

CREDITORS' PAYMENT POLICY

It is the policy of the Company to meet industry standard terms of transaction related payments or to pay in accordance with the terms agreed with suppliers when orders for goods or services are placed. Creditor days as at 31 March 2010 were 14 (2009:14).

DONATIONS

No political donations were made during the year (2009: £Nil). Charitable donations of £182,375 (2009: £51,500) have been made.

EVENT SINCE THE BALANCE SHEET DATE

The Company changed its functional currency from Sterling to US Dollars with effect from 1 April 2010. The change in functional currency is reported prospectively from 1 April 2010, with the opening balance sheet and profit and loss account being translated at the US Dollar spot rate of exchange at that date.

The change in functional currency has no financial effect on the Company's financial statement balances or presentation of those balances for the year ended 31 March 2010.

NOMURA INTERNATIONAL PLC

YEAR ENDED 31 MARCH 2010

DIRECTORS' REPORT (CONTINUED)

DIRECTORS

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

Lord Marshall of Knightsbridge	Chairman (Non-Executive Director)
Tarun Jotwani	Chief Executive (appointed 25 June 2010)
Sir Peter Walters	Non-Executive Director
Masanori Itatani	Non-Executive Director
Masafumi Nakada	Non-Executive Director
Dame Clara Furse	Non-Executive Director (appointed on 30 November 2009)
Kieran Poynter	Non-Executive Director (appointed on 24 November 2009)
David Farrant	Executive Director
David Benson	Executive Director
Kenji Kimura	Executive Director
Paul Spanswick	Executive Director
Sadeq Sayeed	Chief Executive (resigned 25 June 2010)

DIRECTORS' INDEMNITIES

It is Nomura's policy to issue qualifying third party indemnity provisions to those directors serving on the boards of the Company and certain of its associated companies, in accordance with the Company's articles of association.

During the year the Company paid a premium for a contract insuring the Directors and officers of the Company, its subsidiaries and other Nomura European entities against personal liabilities which may arise in the course of the performance of their duties, as well as protecting the Company itself to the extent that it is obligated to indemnify Directors and officers for such liability.

GOING CONCERN

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

The Company has received injections of share capital and subordinated debt in April 2009 and May 2010 to support its capital position. It returned to profitability in the year ended 31 March 2010 and, while market and regulatory pressures remain challenging, significant opportunities for revenue growth exist.

The Directors are not aware of any material uncertainties related to events or conditions that cast doubt about the ability of the Company to continue as a going concern. They have therefore prepared the financial statements on a going concern basis.

NOMURA INTERNATIONAL PLC

YEAR ENDED 31 MARCH 2010

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.

BY ORDER OF THE BOARD

Denise Dillon
Company Secretary

NOMURA INTERNATIONAL PLC

YEAR ENDED 31 MARCH 2010

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

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

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

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

NOMURA INTERNATIONAL PLC

YEAR ENDED 31 MARCH 2010

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 2010 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Reconciliation of Movement in Shareholders' Funds, Balance Sheet and the related notes 1 to 32. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit 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 (APB'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

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 2010 and of its profit 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 MATTER PRESCRIBED BY THE COMPANIES ACT 2006

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

NOMURA INTERNATIONAL PLC

YEAR ENDED 31 MARCH 2010

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.

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 2010

Notes		Year ended 31 March 2010 £'000	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000	Year ended 31 March 2009 £'000
1(c),2	**TRADING PROFIT/ (LOSS)**		1,710,645		(208,563)
3	Other operating loss		(201)		(2,309)
			1,710,444		(210,872)
	Exceptional gain on IPB settlement		-		119,466
1(d),4	Interest receivable and similar income	759,004		1,279,204	
1(d),4	Interest payable and similar charges	(1,253,066)		(1,354,778)	
	Net interest payable		(494,062)		(75,574)
5	Restructuring cost		-		(21,971)
	General and administrative expenses		(1,001,676)		(1,031,910)
	OPERATING PROFIT/ (LOSS)		214,706		(1,220,861)
	Interest payable on subordinated borrowings		(73,352)		(127,853)
6	**PROFIT/ (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION**		141,354		(1,348,714)
8	Tax (charge)/ credit on profit/ (loss) on ordinary activities		(40,737)		48,299
	PROFIT/ (LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		100,617		(1,300,415)

The notes on pages 14 to 79 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 2010

Notes		2010 £'000	2009 £'000
	Profit/ (loss) for the financial year	100,617	(1,300,415)
7	Actuarial loss on pension scheme	(2,600)	(2,600)
15	Movement on deferred tax relating to pension liability	-	(3,221)
8	Movement on current tax relating to pension liability	-	2,493
1(e),20	Gain on available-for-sale investments	113	791
1(e),20	Realised gains on available-for-sale investments reclassified to the profit and loss account on disposal	188	2,181
1(e),8	Movement on current tax relating to movements on available-for-sale investments	-	(832)
	Total recognised gains and losses relating to the year	98,318	(1,301,603)

The notes on pages 14 to 79 form part of these financial statements.

NOMURA INTERNATIONAL PLC

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS FOR THE YEAR ENDED 31 MARCH 2010

Notes		2010 £'000	2009 £'000
	Profit/ (loss) for the financial year	100,617	(1,300,415)
	Other recognised gains and losses relating to the year:		
7	Actuarial loss on pension scheme	(2,600)	(2,600)
15	Movement on deferred tax relating to pension liability	-	(3,221)
8	Movement on current tax relating to pension liability	-	2,493
1(e),20	Gain on available-for-sale investments	113	791
1(e),20	Realised gains on available-for-sale investments reclassified to the profit and loss account on disposal	188	2,181
8	Movement on current tax relating to movements on available-for-sale investments	-	(832)
19	New share capital subscribed	275,000	1,425,000
20	Movement on share-based payment reserve	34,071	35,352
	Net addition to shareholders' funds	407,389	158,749
	Opening shareholders' funds	1,156,855	998,106
	Closing shareholders' funds	1,564,244	1,156,855

The notes on pages 14 to 79 form part of these financial statements.

NOMURA INTERNATIONAL PLC

BALANCE SHEET AT 31 MARCH 2010

Notes		2010 £'000	2010 £'000	2009 £'000	2009 £'000
	FIXED ASSETS				
9	Intangible fixed assets	36,856		33,533	
10	Tangible fixed assets	153,895		75,168	
11	Fixed asset investments	20,749		14,749	
12,22	Available-for-sale investments	1,870		5,276	
			213,370		128,726
	CURRENT ASSETS				
1(e),12,22	Financial assets held for trading	103,300,887		122,584,693	
1(e),12,22	Financial assets designated fair value through profit and loss	4,029,052		126,049	
12	Collateral paid for securities purchased under agreements to resell	79,018,772		39,136,656	
12	Collateral paid for securities borrowed	14,785,289		8,339,653	
12,14	Other debtors	31,532,946		18,905,667	
12	Investments - time deposits	5,333,463		5,581,010	
12	Cash at bank and in hand	1,007,951		2,071,434	
		239,008,360		196,745,162	
	CREDITORS (amounts falling due within one year)				
1(e),12,22	Financial liabilities held for trading	(99,553,455)		(112,715,362)	
1(e),12,22	Financial liabilities designated fair value through profit and loss	(4,028,014)		(95,021)	
12	Collateral received for securities sold under agreements to repurchase	(72,654,119)		(43,076,546)	
12	Collateral received for securities loaned	(10,541,813)		(4,919,580)	
12,17	Subordinated debt	(986,000)		(212,500)	
12,16	Other creditors	(47,554,085)		(32,566,824)	
		(235,317,486)		(193,585,833)	
	NET CURRENT ASSETS		3,690,874		3,159,329
	TOTAL ASSETS LESS CURRENT LIABILITIES		3,904,244		3,288,055
	CREDITORS (amounts falling due after more than one year)				
12,17	Subordinated debt		(2,327,500)		(2,101,000)
18	**Provisions for liabilities and charges**		(12,500)		(30,200)
	NET ASSETS		1,564,244		1,156,855

NOMURA INTERNATIONAL PLC

BALANCE SHEET - 31 MARCH 2010 (CONTINUED)

Notes		2010 £'000	2009 £'000
	CAPITAL AND RESERVES		
19	Called up share capital	2,718,816	2,443,816
20	Capital redemption reserve	121,612	121,612
20	Available-for-sale reserve	5,139	4,838
20	Share-based payment reserve	112,400	78,329
20	Profit and loss account	(1,393,723)	(1,491,740)
	SHAREHOLDERS' FUNDS - Equity	1,564,244	1,156,855

APPROVED BY THE BOARD ON:

Director

The notes on pages 14 to 79 form part of these financial statements.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2010

1. ACCOUNTING POLICIES

(a) <u>Basis of Accounting</u>

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 applicable accounting standards, as defined in note (c) below.

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

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

(b) <u>Fair Value of Financial Instruments</u>

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) <u>Valuation of fair value instruments</u>

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

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

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

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2010 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

Fair Value of Financial Instruments (continued)

(i) Valuation of fair value instruments (Continued)

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

(ii) Recognition of day 1 gains and losses

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

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

(iii) Fair value option

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

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

The fair value option election is undertaken on a product-by-product basis. This only applied 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.

1. ACCOUNTING POLICIES (CONTINUED)

(c) Trading Profit/ (Loss)

(i) Principal Transactions Income and Expenses

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

(ii) Fees and Commission Income and Expenses

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

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

(d) Interest Receivable and Interest Payable

Interest receivable and payable includes dividends and interest paid and earned on securities positions, interest on financial instruments designated at fair value through profit or loss, instruments, carried at amortised cost, including securities bought and sold under repurchase agreements, and amounts receivable and payable on bank deposits and bank borrowings.

Interest receivable and payable is recognised in the profit and loss account using the effective interest rate method for interest bearing financial assets and liabilities carried at amortised cost.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or liability (or a group of assets and liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts the expected future cash payments or receipts through the expected life of the financial instrument, or when appropriate, a shorter period, to the net carrying amount of the instrument. This calculation takes into account the impact of all fees and commissions paid or received directly attributable 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 2010 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

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 trade date basis. Derivatives, including separated embedded derivatives, are also classified as held for trading.

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

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

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

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

The Company applies the fair value option to the following instruments:
- Loans and receivables 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 contains an embedded derivative that significantly modifies the cash flows resulting from the financial instrument;
- 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;

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2010 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

Financial Instruments (continued)

- Prepaid OTC Contracts: These are transactions for which an initial investment of greater than 90% of the notional of the embedded derivative has been paid or received. The risk on these financial instruments, both financial assets and financial liabilities, is primarily hedged using financial instruments categorised as held for trading; and
- Other Financial Liabilities: These include financial liabilities such as those that arise upon the consolidation of certain special purpose entities and those that arise as a result of continuing recognition of certain financial assets and the simultaneous recognition of an associated financial liability.

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

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

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

(ii) Financial instruments at amortised cost

a. Loans and receivables

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

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

b. Financial liabilities at amortised cost

Financial liabilities at amortised cost include financial obligations such as collateral received for securities sold under agreements to repurchase, collateral received for securities loaned, subordinated debt, commercial paper as well as other short-term creditors. Financial liabilities at amortised cost are initially recognised on settlement date. After initial measurement, these instruments are subsequently measured at amortised

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2010 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

Financial Instruments (continued)

b. Financial liabilities at amortised cost (continued)

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 amount paid by the Company is shown in debtors as collateral paid for securities purchased under agreements to resell.

The Company also enters into agreements to sell certain securities to counterparties and then repurchase them at a later date. These securities are retained on the Company’s balance sheet and shown within held for trading pledged as collateral. The 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 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. The 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.

(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, with any transaction costs taken directly to the profit and loss account, and are subsequently held at fair value with unrealised gains or losses being recognised in the statement of total recognised gains and losses.

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.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2010 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

Financial Instruments (continued)

Available-for-sale investments (continued)

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

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

(iv) Held-to-maturity investments

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

(f) Impairment

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

(i) Loans and receivables

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

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2010 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

Impairment (continued)

(iii) Available-for-sale investments

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

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

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

(g) Derecognition

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

(h) Offsetting financial instruments

Financial assets and financial liabilities are presented on a gross basis unless the Company has a 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) 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.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2010 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

Fixed Assets and Depreciation (continued)

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.

(j) Intangible Assets

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

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

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

(k) 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.

(l) 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.

(m) 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

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2010 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

Foreign Currencies (continued)

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.

(n) 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.

(o) 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.

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

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2010 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

Pension Costs (continued)

recognised in full in the statement of total recognised gains and losses in the period in which they occur.

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

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

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

(p) Share-based payments

The ultimate holding company, Nomura Holdings Inc., operates share option schemes for the purpose of providing incentives and rewards to eligible participants. Employees and Directors of the Company receive remuneration in the form of share option awards as consideration for their services (‘equity settled transactions’).

The cost of equity-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 with the following assumptions:

Expected volatilities	based on historical volatility of the ultimate holding company’s common stock
Expected dividend yield	based on the current dividend rate at the time of grant
Expected lives of options granted	based on vesting period
Expected number of options which will vest	based on historical experience
Estimated risk-free interest rate	based upon Yen swap rates with a maturity equal to the expected lives of options

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’). This period has been determined to be the two year period from grant date to 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

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2010 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

Share-Based Payments (continued)

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.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

(q) Share Capital

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

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

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

(r) 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.

(s) 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.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2010 (CONTINUED)

2. TRADING PROFIT/ (LOSS)

The whole of the Company's trading profit/ (loss) 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/ (loss) is attributable to the following revenue streams:

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Net fees and commissions[1]	531,216	168,536
Principal transactions[2]	1,475,869	(318,227)
Less: attributable transaction expenses	(296,440)	(58,872)
Trading profit/ (loss)	1,710,645	(208,563)

£1,534,631,000 of the trading profit in the year ended 31 March 2010 is attributable to EMEA and £176,014,000 to offshore markets. In the prior year, substantially all of the Company's trading loss originated in the UK.

[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, private equity.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2010 (CONTINUED)

2. TRADING PROFIT/ (LOSS) (CONTINUED)

B. Analysis of net fee and commission income

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Financial instruments not at fair value through profit or loss	406,745	136,636
Other fees and commission income	124,471	31,900
Net fees and commissions	531,216	168,536

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

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Financial instruments held for trading	1,475,869	(317,100)
Financial instruments designated at fair value through profit and loss	-	(1,127)
Principal transactions	1,475,869	(318,227)

3. OTHER OPERATING LOSS

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Loss from sales of available-for-sale investments	(201)	(2,309)
	(201)	(2,309)

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

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2010 (CONTINUED)

4. INTEREST INCOME AND EXPENSE

Analysis of Total Interest Income and Expense by Financial Instrument Type

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Interest receivable and similar income		
Cash and short-term funds	134,959	185,884
Securities borrowed and reverse repurchase agreements	343,585	796,708
Other	937	22,106
	479,481	1,004,698
Financial instruments at fair value through profit and loss	279,523	274,506
	759,004	1,279,204
Interest payable and similar charges		
Overdrafts and loans	(119,083)	(199,506)
Securities lent and repurchase agreements	(1,080,296)	(1,099,609)
Commercial paper	(372)	(12,820)
Other	(53,315)	(36,650)
	(1,253,066)	(1,348,585)
Financial instruments at fair value through profit and loss	-	(6,193)
	(1,253,066)	(1,354,778)

5. RESTRUCTURING COST

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
RESTRUCTURING COST		
IT system integration cost	-	(17,836)
Legal charges	-	(4,056)
Other	-	(79)
	-	(21,971)

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2010 (CONTINUED)

6. PROFIT/ (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

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

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Wages, salaries and other personnel costs	731,304	690,585
Social security costs	82,219	56,079
Pension costs – defined contribution	24,332	13,921
Amortisation and depreciation (note 9 & 10)	34,067	12,609
Auditors' remuneration including expenses		
- audit	1,083	688
- services relating to taxation	327	230
- all other services	22	47
Operating lease costs		
- buildings	36,951	24,385
- other	3,166	6,294
Interest receivable from group undertakings	(144,098)	(322,056)
Interest payable to group undertakings	321,704	398,208

In addition to the audit fee shown above, an amount of £735,000 (2009: £581,000) was borne by the ultimate Parent Company.

7. DEFINED BENEFIT PENSION SCHEME

A full actuarial valuation of the defined benefit pension scheme was undertaken at 31 March 2006 and updated to 31 March 2010 by William M Mercer Limited, a qualified independent actuary.

During the year ended 31 March 2010, the Company made additional contributions of £2,600,000 and the fund remained in surplus. The amount that can be recovered through reduced contributions in the future is the present value of the liability expected to arise from future service by current and future scheme members less the present value of future employee contributions. As the plan closed to all future accrual with effect 31 October 2005, there is no future benefit accrual and therefore no surplus is to be recognised in the Company's balance sheet. The expected employer's contribution to the Company's defined benefit pension scheme for year ended 31 March 2011 is £2,800,000.

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

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2010 (CONTINUED)

7. DEFINED BENEFIT PENSION SCHEME (CONTINUED)

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

	31 March 2010	31 March 2009	31 March 2008
	%	%	%
Rate of increase in pensions in payment	3.70%	3.50%	3.55%
Rate of increase in pensions in deferment	3.70%	3.50%	3.55%
Discount rate applied to scheme liabilities	5.65%	7.00%	5.65%
Inflation assumption	3.70%	3.50%	3.55%

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

	31 March 2010	31 March 2009
	Years	Years
Male Member age 65 (current life expectancy)	23.3	22.0
Male Member age 45 (life expectancy at age 65)	26.3	23.1
Female Member age 65 (current life expectancy)	26.3	24.9
Female Member age 45 (life expectancy at age 65)	29.3	25.9

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

	31 March 2010		31 March 2009		31 March 2008	
	%	£'000	%	£'000	%	£'000
Equities	7.60	21,253	7.40	15,615	7.25	21,387
Bonds	4.90	130,789	5.45	112,947	5.60	99,456
Property	6.10	11,444	5.90	10,602	5.75	11,962
Cash	0.50	-	0.50	547	5.25	343
Market value of assets		163,486		139,711		133,148
Present value of scheme liabilities		(128,858)		(85,402)		(114,276)
Surplus in the scheme		34,628		54,309		18,872
Effect of surplus cap		(34,628)		(54,309)		(18,872)
Recoverable deficit in the scheme		-		-		-
Deferred tax asset		-		-		-
Net pension liability		-		-		-

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

There is no charge to operating loss in relation to the defined benefit pension scheme (2009: £Nil).

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2010 (CONTINUED)

7. DEFINED BENEFIT PENSION SCHEME (CONTINUED)

The amount charged to other finance income:

	31 March 2010 £'000	31 March 2009 £'000
Expected return on pension scheme assets	5,876	6,363
Interest on pension scheme liabilities	(5,876)	(6,363)
Other finance income	-	-

Analysis of movements in deficit during the year:

	31 March 2010 £'000	31 March 2009 £'000
Deficit in scheme at beginning of year	-	-
Expected return on pension scheme assets	5,876	6,363
Interest on pension scheme liabilities	(5,876)	(6,363)
Contributions	2,600	2,600
Actuarial (gain)	(2,600)	(2,600)
Deficit in scheme at end of year	-	-

The amounts recognised in the statement of total recognised gains and losses (STRGL) for the year are set out below:

	31 March 2010 £'000	31 March 2009 £'000
Actual return less expected return on pension scheme assets	18,217	925
Experience (losses)/gains arising on pension scheme liabilities	(2,952)	314
Changes in assumptions underlying the present value of the pension scheme liabilities	(37,546)	31,598
Actuarial (loss)/gain recognised in STRGL	(22,281)	32,837
Adjustment due to movement in surplus cap	19,681	(35,437)
Net (loss) recognised	(2,600)	(2,600)

The defined benefit pension liability has no effect on the net assets and reserves of the Company (2009: no effect).

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2010 (CONTINUED)

7. DEFINED BENEFIT PENSION SCHEME (CONTINUED)

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

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Change in benefit obligations		
Benefit obligations at beginning of year	85,402	114,276
Interest cost	5,876	6,363
Actuarial (gain)/ loss	40,498	(31,912)
Benefits paid	(2,918)	(3,325)
Benefit obligations at end of year	128,858	85,402

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Change in plan assets		
Fair value of plan assets at beginning of year	139,711	133,148
Expected return on plan assets	5,876	6,363
Actuarial gain	18,217	925
Employer contributions	2,600	2,600
Benefits paid from plan	(2,918)	(3,325)
Fair value of plan assets at end of year	163,486	139,711

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2010 (CONTINUED)

7. DEFINED BENEFIT PENSION SCHEME (CONTINUED)

FRS 17 requires that a history of amounts that were, or would have been, recognised in the statement of total recognised gains and losses (STRGL) be disclosed as set out below:

	31 March 2010	
	%	**£'000**
Difference between expected and actual return on pension scheme assets	11.14% (a)	18,217
Experience gains and losses on pension scheme liabilities	2.29% (b)	2,952
Total amount recognised in STRGL	0.02% (b)	(2,600)

	31 March 2009	
	%	**£'000**
Difference between expected and actual return on pension scheme assets	0.66% (a)	925
Experience gains and losses on pension scheme liabilities	0.37% (b)	314
Total amount recognised in STRGL	3.04% (b)	(2,600)

	31 March 2008	
	%	**£'000**
Difference between expected and actual return on pension scheme assets	6.3% (a)	8,404
Experience gains and losses on pension scheme liabilities	(0.4%) (b)	(439)
Total amount recognised in STRGL	(0.6%) (b)	(686)

	31 March 2007	
	%	**£'000**
Difference between expected and actual return on pension scheme assets	1.50% (a)	1,434
Experience gains and losses on pension scheme liabilities	(1.60%) (b)	(1,877)
Total amount recognised in STRGL	(2.00%) (b)	(2,462)

	31 March 2006*	
	%	**£'000**
Difference between expected and actual return on pension scheme assets	16.30% (a)	13,989
Experience gains and losses on pension scheme liabilities	(0.10%) (b)	(168)
Total amount recognised in STRGL	(3.20%) (b)	(3,625)

(a): Percentage based on scheme assets

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

*The figures within these financial statements for the year ended 31 March 2006 have been calculated for the period 31 March 2005 to 31 October 2005 (the curtailment date) and 1 November 2005 to 31 March 2006 separately, using financial assumptions in force at the beginning of each period.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2010 (CONTINUED)

8. TAX ON PROFIT/ (LOSS) ON ORDINARY ACTIVITIES

(a) TAX CHARGE/ (CREDIT)

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Current Tax		
UK corporation tax (credit) at 28% (2009: 28%)	-	(55,543)
Tax under provided in previous years	40,737	12,549
	40,737	(42,994)
Deferred Tax		
Deferred taxation (credit) (note 15)	-	(5,305)
Tax on ordinary activities	40,737	(48,299)
Current tax movements recognised in the STRGL		
- FRS 17 Defined Benefit Pension	-	(2,493)
- Available-for-sale investments	-	832
Deferred tax movements recognised in the STRGL		
- FRS 17 Defined Benefit Pension	-	3,221
Total tax charged/ (credited) for the year	40,737	(46,739)

(b) RECONCILIATION OF CORPORATION TAX CHARGE/ (CREDIT)

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Profit/ (loss) on ordinary activities before tax	141,354	(1,348,714)
UK Corporation tax charge/ (credit) at 28% (2009: 28%)	39,579	(377,640)
Effects of		
Expenses not deductible for tax purposes	48,519	4,228
Revenues deductible for tax purposes	-	-
Timing differences		
- Tangible fixed assets	1,484	40
- Share based payments	1,734	3,114
- Deferred Emoluments	-	27,212
- Transition adjustment on adoption of FRS 25/26	8,132	8,132
- Pension	(1,765)	-
Tax under provided in prior years	-	12,549
Unutilised losses for the year carried forward	-	279,371
Unutilised losses for the prior year carried forward	40,737	-
Utilisation of tax losses	(97,683)	-
Current corporation tax charge/ (credit) for the year	40,737	(42,994)

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2010 (CONTINUED)

9. INTANGIBLE FIXED ASSETS

	Goodwill £'000
Cost	
At 1 April 2009	34,334
Additions	5,447
At 31 March 2010	39,781
Amortisation	
At 1 April 2009	801
Charged during year	2,124
At 31 March 2010	2,925
Net book value	
At 31 March 2010	36,856
At 31 March 2009	33,533

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

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2010 (CONTINUED)

10. TANGIBLE FIXED ASSETS

Cost	**Construction In Progress £'000**	**Long Leasehold £'000**	**Furniture, Equipment, and Software £'000**	**Total £'000**
At 1 April 2009	363	8,967	171,350	180,680
Additions	70,825	568	41,807	113,200
Disposals	-	(1,391)	(1,288)	(2,679)
FX Revaluation	-	-	(16)	(16)
At 31 March 2010	71,188	8,144	211,853	291,185
Depreciation				
At 1 April 2009	-	1,932	103,580	105,512
Charged during year	-	420	31,523	31,943
Disposals	-	(29)	(133)	(162)
FX Revaluation	-	-	(3)	(3)
At 31 March 2010	-	2,323	134,967	137,290
Net book value				
At 31 March 2010	71,188	5,821	76,886	153,895
At 31 March 2009	363	7,035	67,770	75,168

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2010 (CONTINUED)

11. FIXED ASSET INVESTMENTS

Cost	Investment in Subsidiary Undertakings
	£'000
At 1 April 2009	14,749
Additions	6,000
Disposals	-
At 31 March 2010	20,749
Provisions	
At 1 April 2009 and 31 March 2010	-
Net book value	
At 31 March 2010	20,749
At 31 March 2009	14,749

The investment in subsidiary undertakings represents the following:

Name of subsidiary	Shares/ voting rights held	Country of incorporation and registration	Principal business
Nomura International Leasing Limited	100%	Ireland	Asset leasing
Nomura Nominees Limited	100%	England	Investment
IBJ Nomura Financial Products (UK) Plc*	100%	England	Dormant
Nomura Investment Advisor LLP	50%	England	Investment adviser
Nomura Investments (AH) Limited	100%	Guernsey	Investment
Nomura Employment Services (Isle of Man) Limited	100%	Isle of Man	Employment services
Opsclear Limited	100%	England	Investment
Nomura Phase4 Ventures Limited	100%	England	Investment manager
Nomura Private Equity Investment GP Limited	100%	England	Investment manager
Nomura.com Limited	100%	England	Dormant
Nomura RPS Limited (erstwhile Nomura I&E Services Limited)	100%	England	Investment adviser
NI&E Services Italy Limited	100%	England	Dormant
Nomura PB Nominee Limited	100%	England	Investment
Tricorn Partners LLP**	100%	England	Investment adviser
Nomura Investment Solutions PLC	100%	Ireland	Investment
Nomura Custody Nominees Limited	100%	England	Investment
Nomura PB Beneficial Ownership Markets Limited	100%	England	Investment

** - currently in members voluntary liquidation*
*** - acquired during the year ended 31 March 2010*

11. FIXED ASSET INVESTMENTS (CONTINUED)

Through Nomura Phase4 Ventures Limited, the Company controls the following entity:

Name of subsidiary	Shares/ voting rights held	Country of incorporation and registration	Principal business
Nomura Phase4 Ventures GP Limited	100%	England	Investment manager

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

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

Nomura Investment Advisor LLP exited Perceva SAS on 10th February 2010

Through Tricorn Partners LLP, the Company controls the following entity:

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

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2010 (CONTINUED)

12. FINANCIAL INSTRUMENTS

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

	2010	2010	2010	2010	2010	2010
	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	1,870	-	-	-	-	1,870
Held for trading	-	103,300,887	-	-	-	103,300,887
Designated fair value through profit and loss	-	-	4,029,052	-	-	4,029,052
Collateral paid for securities purchased under agreements to resell	-	-	-	79,018,772	-	79,018,772
Collateral paid for securities borrowed	-	-	-	14,785,289	-	14,785,289
Other debtors	-	-	-	31,532,946	-	31,532,946
Investments - time deposits	-	-	-	5,333,463	-	5,333,463
Cash at bank and in hand	-	-	-	1,007,951	-	1,007,951
Financial Liabilities						
Held for trading	-	(99,553,455)	-	-	-	(99,553,455)
Designated fair value through profit and loss	-	-	(4,028,014)	-	-	(4,028,014)
Collateral received for securities sold under agreements to repurchase	-	-	-	-	(72,654,119)	(72,654,119)
Collateral received for securities loaned	-	-	-	-	(10,541,813)	(10,541,813)
Other creditors	-	-	-	-	(47,554,085)	(47,554,085)
Subordinated debt	-	-	-	-	(3,313,500)	(3,313,500)
	1,870	3,747,432	1,038	131,678,421	(134,063,517)	1,365,244

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2010 (CONTINUED)

12. FINANCIAL INSTRUMENTS (CONTINUED)

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

	2009	2009	2009	2009	2009	2009
	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	5,276	-	-	-	-	5,276
Held for trading	-	122,584,693	-	-	-	122,584,693
Designated fair value through profit and loss	-	-	126,049	-	-	126,049
Collateral paid for securities purchased under agreements to resell	-	-	-	39,136,656	-	39,136,656
Collateral paid for securities borrowed	-	-	-	8,339,653	-	8,339,653
Other debtors	-	-	-	18,905,667	-	18,905,667
Investments - time deposits	-	-	-	5,581,010	-	5,581,010
Cash at bank and in hand	-	-	-	2,071,434	-	2,071,434
Financial Liabilities						
Held for trading	-	(112,715,362)	-	-	-	(112,715,362)
Designated fair value through profit and loss	-	-	(95,021)	-	-	(95,021)
Collateral received for securities sold under agreements to repurchase	-	-	-	-	(43,076,546)	(43,076,546)
Collateral received for securities loaned	-	-	-	-	(4,919,580)	(4,919,580)
Other creditors	-	-	-	-	(32,566,824)	(32,566,824)
Subordinated debt	-	-	-	-	(2,313,500)	(2,313,500)
	5,276	9,869,331	31,028	74,034,420	(82,876,450)	1,063,605

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2010 (CONTINUED)

12. FINANCIAL INSTRUMENTS (CONTINUED)

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

Included within the loans and receivables above are the following positions with fellow Nomura Holdings Inc. group undertakings:

	2010 £'000	2009 £'000
Loans and receivables		
Collateral paid for securities purchased under agreements to resell	23,165,781	8,977,452
Collateral paid for securities borrowed	5,478,713	2,469,955
Other debtors	1,858,451	2,636,009
Investments - time deposits	5,333,389	4,187,384
	35,836,334	18,270,800

	2010 £'000	2009 £'000
Financial liabilities at amortised cost		
Collateral received for securities sold under agreements to repurchase	(23,373,559)	(5,767,569)
Collateral received for securities loaned	(3,352,013)	(1,080,254)
Other creditors	(19,122,416)	(17,820,500)
Subordinated debt	(3,313,500)	(2,313,500)
	(49,161,488)	(26,981,823)

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:

	2010 £'000	2009 £'000
Financial assets		
Equity securities	4,386,209	2,164,739
Debt securities	21,069,709	16,246,218
Derivatives	77,947,772	104,305,061
Loans and receivables	3,928,119	-
	107,331,809	122,716,018
Financial liabilities		
Equity securities	(3,893,927)	(2,081,925)
Debt securities	(17,056,289)	(6,442,402)
Derivatives	(78,703,134)	(104,286,056)
Loans payables	(3,928,119)	-
	(103,581,469)	(112,810,383)

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2010 (CONTINUED)

12. FINANCIAL INSTRUMENTS (CONTINUED)

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

Included within the financial assets and financial liabilities above are the following positions with fellow Nomura Holdings Inc. group undertakings:

	2010 £'000	2009 £'000
Financial assets		
Equity securities	343,441	57,427
Debt securities	136,674	233,741
Derivatives	45,395,876	56,759,727
	45,875,991	57,050,895
Financial liabilities		
Equity securities	(4,978)	(8,728)
Debt securities	(172,881)	(137,259)
Derivatives	(48,248,015)	(59,258,703)
	(48,425,874)	(59,404,690)

As at 31 March 2010, the Company's treasury department transacted a number of overnight currency loans and deposits with another group company in the amount of £3,209,317,000. These transactions were executed as part of the treasury management process, in contemplation of each other and contemporaneously. The intention was to transact them as derivative transactions and they have therefore been accounted for as such.

Available-for-sale investments

Available-for-sale investments include unquoted equity instruments which are measured at cost because their fair value cannot be measured reliably. As at 31 March 2010, 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 £1,203,293 (2009: £1,757,528).

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2010 (CONTINUED)

12. FINANCIAL INSTRUMENTS (CONTINUED)

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:

Prepaid OTC Contracts:	These prepaid OTC contracts are designated at fair value as such contracts contain an embedded derivative that significantly modifies the cash flows resulting from the financial instrument. The financial instruments, with which they are hedged, are also designated at fair value to mitigate income statement volatility which would arise between these instruments and their related OTC Contracts.
Other Financial Liabilities:	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.

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 2010 (CONTINUED)

13. DERECOGNISED AND COLLATERALISED TRANSACTIONS

Transfers of financial assets, including pledges of collateral

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

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

	2010 Financial assets £'000	2010 Financial liabilities £'000	2010 Difference £'000
Collateral received for securities sold under agreements to repurchase	16,143,213	(15,843,399)	299,814
Collateral received for securities loaned	1,009,148	(747,997)	261,151
Other	607,494	(607,494)	-
	17,759,855	(17,198,890)	560,965

	2009 Financial assets £'000	2009 Financial liabilities £'000	2009 Difference £'000
Collateral received for securities sold under agreements to repurchase	10,678,700	(10,329,444)	349,256
Collateral received for securities loaned	858,359	(640,823)	217,536
Other	382,530	(382,530)	-
	11,919,589	(11,352,797)	566,792

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 2010 (CONTINUED)

13. DERECOGNISED AND COLLATERALISED TRANSACTIONS (CONTINUED)

Continuing involvement

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

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

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

:

2010 Total carrying value of financial assets with continuing involvement £'000	2010 Total carrying value of associated liabilities £'000	2010 Net economic exposure £'000
795,900	(801,078)	5,178

2009 Total carrying value of financial assets with continuing involvement £'000	2009 Total carrying value of associated liabilities £'000	2009 Net economic exposure £'000
523,108	(523,065)	(43)

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 repledged 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 £104,300,000,000 (2009: £50,900,000,000). Of this amount, £13,200,000,000 (2009: £8,900,000,000) has been sold or repledged to third parties to comply with commitments under short sale transactions or in connection with financing activities. The corresponding obligation to return securities received which have been sold or repledged is £1,500,000,000 (2009: £956,000,000).

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2010 (CONTINUED)

14. OTHER DEBTORS

	2010 £'000	2009 £'000
Trade debtors	27,074,386	14,954,471
Broker balances	4,075,868	3,533,821
Taxation recoverable	3,864	113,731
Accrued interest and dividends receivable	252,780	272,700
Prepayments and accrued income	126,048	30,944
	31,532,946	18,905,667

Included within debtor balances above are the following balances due from fellow Nomura Holdings Inc. group undertakings:

	2010 £'000	2009 £'000
Trade debtors	6,272,378	2,043,800
Broker balances	1,798,201	576,681
Accrued interest and dividends receivable	10,075	11,414
Prepayments and accrued income	65,450	4,114
	8,146,104	2,636,009

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

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2010 (CONTINUED)

15. DEFERRED TAXATION

	2010 £'000	2009 £'000
Tangible fixed assets	17,797	7,593
FRS 26 transition liabilities	(48,958)	(57,091)
Other short-term timing differences	17,082	47,864
Unutilised tax losses	308,792	392,239
Deferred tax not provided	(294,713)	(390,605)
	-	-

Deferred taxation has been recognised at 28% (2009: 28%). The Company has unutilised tax losses arising of £1,102,829,000 (2009: £1,400,851,000) that are available for offset against future taxable profits. A deferred tax asset of £294,713,000 (2009: £390,605,000) has not been recognised in respect of these losses due to uncertainty surrounding the Company's future profitability.

An announcement was made by the UK Government in the Emergency Budget on 22 June 2010 that legislation is to be introduced in Finance Bill 2011 to reduce the main rate of corporation tax from 28% to 27% with effect from 1 April 2011. It is also intended to reduce the rate further by 1% per annum falling to 24% with effect from 1 April 2014. The directors estimate that the effect of these changes will be to reduce the Company's unrecognised deferred tax asset to £244,663,000

Provision for deferred tax comprises:

	2010		2009	
	£'000	£'000	£'000	£'000
Timing differences	(14,079)		(1,634)	
Losses	308,792		392,239	
Deferred tax not provided	(294,713)		(390,605)	
Total provision for deferred tax		-		-
As at 1 April		-		(2,084)
Deferred tax credit to the profit and loss account		-		5,305
Deferred tax charged to the STRGL				
- FRS 17 Defined Benefit Pension		-		(3,221)
As at 31 March		-		-

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2010 (CONTINUED)

16. OTHER CREDITORS

	2010 £'000	2009 £'000
Loans and overdrafts	16,551,862	13,459,957
Trade creditors	25,813,879	14,478,005
Commercial paper issued	293,033	22,209
Broker balances	4,030,630	3,937,921
Other tax and social security payable	19,883	89,877
Accrued interest and dividends payable	199,590	121,165
Accruals and deferred income	645,208	457,690
	47,554,085	32,566,824

Included within creditor balances above are the following balances due to fellow Nomura Holdings Inc. group undertakings:

	2010 £'000	2009 £'000
Loans and overdrafts	16,102,137	13,416,625
Trade creditors	5,147,866	3,289,445
Broker balances	1,708,978	1,096,625
Accrued interest and dividends payable	33,207	13,331
Accruals and deferred income	4,511	4,474
	22,996,699	17,820,500

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2010 (CONTINUED)

17. SUBORDINATED DEBT

	Repayment date	2010 £'000	2009 £'000
Short Term			
Nomura Europe Holdings plc	29 June 2009	-	212,500
Nomura Europe Holdings plc	13 April 2010	280,000	-
Nomura Europe Holdings plc	02 July 2010	56,000	-
Nomura Europe Holdings plc	30 July 2010	150,000	-
Nomura Europe Holdings plc	10 August 2010	250,000	-
Nomura Europe Holdings plc	23 August 2010	250,000	-
		986,000	212,500
Long Term			
Nomura Europe Holdings plc	13 April 2010	-	280,000
Nomura Europe Holdings plc	02 July 2010	-	56,000
Nomura Europe Holdings plc	30 July 2010	-	150,000
Nomura Europe Holdings plc	10 August 2010	-	250,000
Nomura Europe Holdings plc	23 August 2010	-	250,000
Nomura Europe Holdings plc	21 April 2011	250,000	250,000
Nomura Europe Holdings plc	22 July 2011	100,000	100,000
Nomura Europe Holdings plc	11 August 2011	250,000	250,000
Nomura Europe Holdings plc	29 June 2012	212,500	-
Nomura Europe Holdings plc	02 July 2013	-	134,000
Nomura Europe Holdings plc	20 December 2013	-	95,000
Nomura Europe Holdings plc	02 July 2014	134,000	-
Nomura Europe Holdings plc	27 March 2015	100,000	100,000
Nomura Europe Finance NV	27 March 2015	30,000	30,000
Nomura Europe Holdings plc	26 June 2015	156,000	156,000
Nomura Europe Holdings plc	18 April 2016	1,000,000	-
Nomura Europe Holdings plc	21 June 2016	95,000	-
		2,327,500	2,101,000

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	26 June 2015	LIBOR + 0.47%
Nomura Europe Holdings plc	18 April 2016	LIBOR + 3.06%
Nomura Europe Holdings plc	21 June 2016	LIBOR + 0.51%

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2010 (CONTINUED)

18. PROVISIONS FOR LIABILITIES AND CHARGES

	2010 £'000	2009 £'000
At 1 April	30,200	3,000
Used during the year	(18,200)	(3,000)
Provided during the year		
- Restructuring	500	30,200
At 31 March	12,500	30,200

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

19. SHARE CAPITAL

2010	Authorised Number '000	Allotted and fully paid Number '000	Allotted and fully paid Consideration £'000
Sterling Ordinary shares of £1 each	3,250,000	2,362,602	2,362,602
Yen Ordinary shares of ¥ 250 each	270,000	238,265	356,214
Sterling Redeemable Convertible Participating Preference shares of £1 each	50,000	-	-
			2,718,816

2009	Authorised Number '000	Allotted and fully paid Number '000	Allotted and fully paid Consideration £'000
Sterling Ordinary shares of £1 each	2,250,000	2,087,602	2,087,602
Yen Ordinary shares of ¥ 250 each	270,000	238,265	356,214
Sterling Redeemable Convertible Participating Preference shares of £1 each	50,000	-	-
			2,443,816

The Yen Ordinary shares of ¥250 each have all future rights and benefits based on a Sterling exchange rate of 141.9171.

The Company issued £275,000,000 Sterling Ordinary shares of £1 each for consideration of £275,000,000 during the financial year.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2010 (CONTINUED)

20. RESERVES

	Capital redemption reserve £'000	Share-based payment expense reserve £'000	Available-for-sale reserve £'000	Profit and loss account £'000
At 1 April 2009	121,612	78,329	4,838	(1,491,740)
Retained profit for the year	-	-	-	100,617
Actuarial loss on pension scheme	-	-	-	(2,600)
Movement on deferred tax relating to pension liability	-	-	-	-
Share-based payment expense for the year	-	34,071	-	-
Gain on available-for-sale investments	-	-	113	-
Realised gains on available-for-sale investments reclassified to the profit and loss account on disposal	-	-	188	-
At 31 March 2010	121,612	112,400	5,139	(1,393,723)

21. FINANCIAL RISK MANAGEMENT

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

The Role of Financial Instruments

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

- *Trading Activities* - to facilitate the needs of its client base and for trading purposes on its own account

- *Financing Activities* **-** to finance its operations and to manage the interest rate and currency risk arising from its financing activities

Trading Activities

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

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

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

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

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

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

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2010 (CONTINUED)

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

The Role of Financial Instruments (continued)

Financing Activities

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

The distribution of sources of funding and their maturity profile are actively managed in order to ensure access to funds and to avoid a concentration of funding at any one time or from any one source. The main funding sources used by the Treasury function include capital, bank borrowings, intercompany borrowings, long term debt, and commercial paper, collateralised financing such as sale and repurchase agreements and committed credit facilities.

Risk Management Structure

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

Capital Allocation

Regional business line requests for capital are approved in the first instance by the European Executive Management Committee before submission to the Global Wholesale Committee in Tokyo for approval as part of the global budgeting and capital allocation process.

Treasury Department

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

Corporate Risk Management Department

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

Investment Evaluation and Credit Department

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

Finance Department

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

Risks and Controls Department

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

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2010 (CONTINUED)

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

Risk Management Structure (continued)

Risk Management Committee

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

Internal Audit

The Internal Audit Department is an independent function with independent reporting lines to the Chairman of the Audit Committee of the Company's immediate parent, Global Audit and CEO of Nomura's European businesses. Internal audit performs a comprehensive and independent review of systems and processes on a periodic basis.

Risk reporting and control is administered via the Management Information System which provides daily financial indicators including profit and loss, Value-at-Risk, Nomura Capital Allocation Target, inventory, regulatory capital, unsecured funding and all related limits. Monitoring is applied at all levels in the business hierarchy, specifically trading strategy, trading desk, division and company wide.

Market Risk

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

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

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

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

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

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2010 (CONTINUED)

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market Risk (continued)

A. Market Risk – Trading (continued)

The table below illustrates, by major risk category, the VaR during the financial years ended 31 March 2010 and 31 March 2009. It shows the highest, lowest and average VaR during the financial year:

		2010			2009	
	Average £'000	High £'000	Low £'000	Average £'000	High £'000	Low £'000
Equity and Equity derivatives	10,945	25,104	4,104	3,265	6,998	1,824
Bonds, Interest rate and Credit derivatives	10,350	14,419	7,702	7,957	16,144	2,735
Foreign exchange	7,040	11,524	3,388	1,270	5,329	32
Total VAR *	15,926	37,983	9,564	8,763	18,264	3,455

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

VaR methodology, assumptions and limitations

VaR is an estimate of potential losses on a portfolio of traded assets at a specified level of confidence over a specified time horizon. The Company calculates VaR to above a 99% level of confidence over a one-day horizon meaning that on average we would expect to observe daily losses in excess of VaR less than 1% of the time.

VaR is calculated using a variance-covariance (VCV) model and includes risk factors relating to equity prices, interest rates, foreign exchange rates and credit spreads. The VCV method relies on the assumption that risk factors are always jointly normally distributed and that the change in portfolio value is linearly dependent on all risk factor returns. The VaR model requires two years of historical data for each risk factor and volatilities and correlations are calculated from this data using the Exponentially Weighted Moving Average (EWMA) method.

The benefit of VaR is the ability to probability weight, as well as quantify, potential losses across a range of different risk factors, taking into account risk reduction due to portfolio diversification and hedging activities. However, VaR does have a number of limitations, including:

- Historical data may not provide a good indication of future market events, particularly those which are extreme in nature.
- The use of a one-day holding period assumes that all positions can be liquidated or hedged in one day. This may not fully reflect the market risk arising in times of severe market illiquidity.
- The model provides no indication of the potential magnitude of losses that exceed the 99% confidence level.

These limitations are well understood and are the reason why VaR is just one of a number of different approaches used to measure and monitor market risks across the Company's trading portfolios. Other approaches in use include sensitivity/scenario analysis and stress testing.

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market Risk (continued)

A. Market Risk – Trading (continued)

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

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

The analysis was undertaken by stressing the valuation model using assumptions of reasonable possible market moves at this time. The current discounted cash flow model already establishes a prudent valuation basis by incorporating a forecast 5% decline in values; furthermore the risk of loss calculations used in the sensitivity analysis factors in a further recessionary market downturn of -15% from late 2008.

The impact of a +5% growth was a £27,360,829 (2009: £30,780,000) increase in value, whereas a -15% reduction led to a £54,721,657 (2009: £61,550,000) decline.

B. Market Risk – Non-Trading

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

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

In the cases of both interest rate and currency risk the Company do 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 2010 (CONTINUED)

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk

Credit Risk Management

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

The Company's Investment Evaluation & Credit Department (IEC) is responsible for managing credit risks to which the Company is exposed.

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

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

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

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

Credit Risk Exposure

The Company's maximum exposure to credit risk at the balance sheet date is disclosed below, based on the carrying amount of the financial assets the Company believes is subject to credit risk, without taking account of any collateral held or any other credit enhancements. Certain off balance sheet instruments which expose the Company to a risk of loss due to default by the parties underlying these contracts are also disclosed.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2010 (CONTINUED)

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (continued)

Credit Risk Exposure (continued)

	Maximum Exposure to Credit Risk 2010 £m	Maximum Exposure to Credit Risk 2009 £m
Available-for-sale debt investments	2	5
Financial assets held for trading	103,301	122,585
Financial assets designated at fair value through profit and loss	4,029	126
Collateral paid for securities purchased under agreements to resell	79,019	39,137
Collateral paid for securities borrowed	14,785	8,340
Other debtors	31,533	18,906
Investments – time deposits	5,333	5,581
Cash at bank and in hand	1,008	2,071
	239,010	196,751
Commitments to extend credit	806	542
Other commitments	97	124
	903	666
Total exposure to credit risk	239,913	197,417

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 provide a more meaningful presentation of balance sheet credit exposure. Also included in this balance are credit derivatives and other financial guarantee products which are used to hedge the Company's exposure to credit risk.

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.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2010 (CONTINUED)

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (continued)

Credit Risk Exposure (continued)

	Maximum Exposure to Credit Risk 2010 £m	Maximum Exposure to Credit Risk 2009 £m
Credit Rating		
AAA	22,586	6,343
AA	29,521	34,591
A	56,884	54,520
BBB	35,885	68,900
Non-Investment grade	66,838	12,475
Unrated	27,296	19,922
Total exposure to credit risk by credit rating	239,010	196,751

The counterparties are rated using an internal rating which is evaluated by the credit risk team, IEC, and is in line with the external rating. 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.

Exposure to monoline insurers (financial guarantors)

The following table sets forth our notional amounts, gross exposure, counter party risk reserves and other adjustments, net exposure, and CDS protection to monoline insurers (financial guarantors) by credit rating in structured credit trading business of Global Markets in Europe. The table does not include the fully reserved or hedged exposures.

Monoline Insurers by Credit Rating(1)	Notional(2) 2010 £m	Gross Exposure(3) 2010 £m	Counterparty Risk Reserves and other Adjustments 2010 £m	Net Exposure 2010 £m	CDS Protection (4) 2010 £m
Credit Rating					
Non-Investment grade	3,847	1,425	1,194	231	67
Total	3,847	1,425	1,194	231	67

1. Rating based on Standard & Poor's or Moody's Investors Service as of 31 March 2010 depending on which rating is lower.
2. The gross notional value of the credit derivative contract. There is no exposure related to U.S. RMBS as reference assets.
3. Gross exposure represents the estimated fair value prior to adjustments.
4. Notional of CDS protection less estimated fair value of CDS protection acquired against the monoline insurers.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2010 (CONTINUED)

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (continued)

Concentrations of Credit Risk

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

The Company is exposed to significant counterparty credit risk from fellow Nomura Holdings Inc group undertakings. The maximum credit exposure to fellow group undertakings is £54bn (2009: £53.2bn) and is rated using the Group's credit rating of 'Non-Investment grade' (2009: 'BBB') as below.

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:

	Amounts past due but not impaired				
	Less than 91 days	91-180 days	181 days to 1 year	More than 1 year	Total past due but not impaired
	2010 £'000	2010 £'000	2010 £'000	2010 £'000	2010 £'000
Other debtors	386,011	17,740	107	6,539	410,397
Total	386,011	17,740	107	6,539	410,397

	Amounts past due but not impaired				
	Less than 91 days	91-180 days	181 days to 1 year	More than 1 year	Total past due but not impaired
	2009 £'000	2009 £'000	2009 £'000	2009 £'000	2009 £'000
Other debtors	414,872	70	-	-	414,942
Total	414,872	70	-	-	414,942

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2010 (CONTINUED)

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (continued)

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 (2009: £Nil).

As at 31 March 2010 the cumulative impairment loss on available-for-sale investments was £7,900,000 (2009: £7,900,000).

Liquidity Risk

Liquidity Risk Management

The Company defines liquidity risk as the potential inability to meet financial obligations as they become due. We therefore seek to ensure adequate liquidity across market cycles and through periods of stress. This is achieved through a controlled process that ensures that cumulative financing requirements are restricted to pre-set levels.The Company's liquidity management includes monitoring projected contractual and contingent cash flows and maintaining liquidity and funding contingency plans.

To ensure that the Company has sufficient reserves to guard against any unforeseen event, the Treasury department requires that the businesses operate within unsecured funding limits that are set at a level significantly below what is estimated to be available.

In addition, a key operating principle of the Treasury department is to withstand market shocks for periods lasting up to one year without either issuing new unsecured financing or liquidating trading assets. This is achieved by maintaining sufficient long-term debt and equity to meet the cash capital requirements of all the Company's assets and holding a global portfolio of cash and highly liquid securities that could be monetised through either sale or pledge to meet immediate requirements.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2010 (CONTINUED)

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

Contractual Maturity Table

The table below shows the Company's financial liabilities by contractual maturity remaining, taking into account early redemption features. Derivatives 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. Derivatives are disclosed at fair value on demand while 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.

	On demand 2010 £m	Less than 30 days 2010 £m	31 – 90 days 2010 £m	91 days – 1 year 2010 £m	1 – 5 years 2010 £m	Later than 5 years 2010 £m	Total 2010 £m
Financial liabilities held-for-trading	99,381	-	73	100	-	-	99,554
Financial liabilities designated at fair value	4,028	-	-	-	-	-	4,028
Collateral received for securities sold under agreements to repurchase	14,454	47,120	6,624	4,404	52	-	72,654
Collateral received for securities loaned	10,542	-	-	-	-	-	10,542
Other creditors	31,610	13,482	1,278	47	-	-	46,417
Commercial paper	-	-	228	65	-	-	293
Subordinated debt	-	280	-	706	1,077	1,251	3,314
	160,015	60,882	8,203	5,322	1,129	1,251	236,802
Other commitments	-	-	-	159	698	46	903
Standby letters of credit and other guarantees	-	-	-	-	-	-	-
	-	-	-	159	698	46	903
Total exposure to liquidity risk	160,015	60,882	8,203	5,481	1,827	1,297	237,705

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2010 (CONTINUED)

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity Risk (continued)

	On demand 2009 £m	Less than 30 days 2009 £m	31 – 90 days 2009 £m	91 days – 1 year 2009 £m	1 – 5 years 2009 £m	Later than 5 years 2009 £m	Total 2009 £m
Financial liabilities held-for-trading	112,578	-	27	110	-	-	112,715
Financial liabilities designated at fair value	95	-	-	-	-	-	95
Collateral received for securities sold under agreements to repurchase	4,004	33,884	2,615	2,574	-	-	43,077
Collateral received for securities loaned	4,920	-	-	-	-	-	4,920
Other creditors	18,881	12,647	417	20	-	-	31,965
Commercial paper	-	-	21	-	-	-	21
Subordinated debt	-	-	213	-	1,681	420	2,314
	140,478	46,531	3,293	2,704	1,681	420	195,107
Other commitments	-	-	-	-	100	566	666
Standby letters of credit and other guarantees	-	-	-	-	-	-	-
	-	-	-	-	100	566	666
Total exposure to liquidity risk	140,478	46,531	3,293	2,704	1,781	986	195,773

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2010 (CONTINUED)

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity Risk (continued)

Contractual Maturity Table

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

	On demand 2010 £m	Less than 30 days 2010 £m	31 – 90 days 2010 £m	91 days – 1 year 2010 £m	1 – 5 years 2010 £m	Later than 5 years 2010 £m	Total 2010 £m
Cash in bank and at hand	1,008	-	-	-	-	-	1,008
Available-for-sale Investments	2	-	-	-	-	-	2
Financial assets held for trading	103,301	-	-	-	-	-	103,301
Financial assets designated at fair value	4,029	-	-	-	-	-	4,029
Collateral paid for securities purchased under agreement to resell	11,403	32,610	25,417	9,361	191	37	79,019
Collateral paid for securities borrowed	14,785	-	-	-	-	-	14,785
Other debtors	30,849	281	1	18	6	-	31,155
Investments - time deposits	5,333	-	-	-	-	-	5,333
Total exposure to liquidity risk	170,710	32,891	25,418	9,379	197	37	238,632

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2010 (CONTINUED)

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

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 £34,918 (2009: £45,709). This is based on the unobservable gap risk parameter for the fund derivatives.

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 £32,610,240 (2009: £33,808,212).

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:

	2010 £'000	2009 £'000
As at 1 April	7,854	66,289
New transactions	42	6,697
Transfers to fellow Nomura Holdings Inc. group undertakings	-	(45,155)
Redemptions and terminations	(4,670)	(19,977)
As at 31 March	3,226	7,854

The transfers to fellow Nomura Holdings Inc. group undertakings resulted from the execution of market risk hedges on a portfolio of derivative contracts. There were no amounts recognised in the profit or loss account as a result of this transfer.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2010 (CONTINUED)

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

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

	2010 £m	2009 £m
Bond and equity derivatives	1,449	(451)
Convertible bonds	(55)	(129)
Equities	(929)	191
Warrants	201	236
Government bonds	186	(198)
Bank and corporate bonds	108	171
Interest rate derivatives	1,032	(531)
Currency derivatives	206	206
Credit derivatives	(722)	187
	1,476	(318)

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

22. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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. The potential impact of using reasonably possible alternative assumptions to value these financial instruments has not been disclosed as, due to the Bank's transfer of risks to other Nomura Group companies, it is not deemed significant.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2010 (CONTINUED)

22. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy

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

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

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

The following table presents information about the Company's financial assets and financial liabilities measured at fair value at 31 March 2010 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.

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets				
Financial assets held for trading:				
- Equities	2,105,379	2,077,022	203,244	4,385,645
- Debt securities and loans	8,160,989	12,108,838	756,520	21,026,347
- Derivatives	164,948	68,864,196	8,859,751	77,888,895
Designated at Fair value	1,934,150	2,094,902	-	4,029,052
Available for Sale	565	1,305	-	1,870
	12,366,031	85,146,263	9,819,515	107,331,809

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial Liabilities				
Financial liabilities held for trading:				
- Equities	(2,564,270)	(1,329,657)	-	(3,893,927)
- Debt securities and loans	(9,656,870)	(7,268,735)	(89,666)	(17,015,271)
- Derivatives	(315,131)	(71,815,259)	(6,513,867)	(78,644,257)
Designated at Fair value	(1,934,150)	(2,093,864)	-	(4,028,014)
	(14,470,421)	(82,507,515)	(6,603,533)	(103,581,469)

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.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2010 (CONTINUED)

22. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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.

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 2009	Total gains (losses) in P&L	Purchases	Sales	Settlements	Net transfers in/ (out of) level 3	At 31 March 2010	Unrealised Total gains (losses) in P&L
Financial assets								
Financial assets held for trading								
- Equities	1,232,636	11,557	29,106	(360,909)	-	(709,146)	203,244	1,942
- Debt securities and loans	894,879	15,654	467,951	(519,018)	-	(102,946)	756,520	28,341
- Derivatives	25,148,982	1,423,120	-	-	(15,718,229)	(1,994,122)	8,859,751	1,476,049
	27,276,497	1,450,331	497,057	(879,927)	(15,718,229)	(2,806,214)	9,819,515	1,506,332

	At 1 April 2009	Total gains (losses) in P&L	Purchases	Sales	Settlements	Net transfers (in)/ out of level 3	At 31 March 2010	Unrealised Total gains (losses) in P&L
Financial liabilities								
Financial liabilities held for trading								
- Equities	-	-	-	-	-	-	-	-
- Debt securities and loans	(153,501)	3,953	-	59,882	-	-	(89,666)	3,953
- Derivatives	(20,355,098)	(2,304,256)	-	-	13,927,482	2,218,005	(6,513,867)	(2,278,350)
	(20,508,599)	(2,300,303)	-	59,882	13,927,482	2,218,005	(6,603,533)	(2,274,397)

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

The significant reduction in Level 3 assets and liabilities during the year is driven by the expiry of derivatives contracts with unobservable inputs.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2010 (CONTINUED)

22. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Transfers between level 1 and 2

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

	Transfers from level 1 to level 2 2010 £'000	Transfers from level 2 to level 1 2010 £'000
Financial assets		
Financial assets held for trading		
- Equities	-	33,355
- Debt securities and loans	12,293	-
- Derivatives	-	-
	12,293	33,355

	Transfers from level 1 to level 2 2010 £'000	Transfers from level 2 to level 1 2010 £'000
Financial Liabilities		
Financial liabilities held for trading		
- Equities	(18,212)	(29,605)
- Debt securities and loans	-	-
- Derivatives	-	-
	(18,212)	(29,605)

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2010 (CONTINUED)

23. CAPITAL MANAGEMENT POLICY

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

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

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

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

Regulatory Capital

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

	2010 £'000	2009 £'000
Tier 1 capital	1,431,855	1,161,712
Tier 2 capital	668,329	515,000
Tier 1 & 2 capital	2,100,184	1,676,712
Tier 3 capital	2,671,969	1,798,500
Total deductions from capital	(101,246)	(90,379)
Total capital resources	4,670,907	3,384,833

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2010 (CONTINUED)

24. OPERATING LEASE COMMITMENTS

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

	2010 Buildings £'000	2010 Other £'000	2009 Buildings £'000	2009 Other £'000
Within one year	24,798	323	2,160	1,378
Within two to five years	2,456	2,052	22,370	1,844
After five years	12,782	5	12,420	511
	40,036	2,380	36,950	3,733

25. EMPLOYEES

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

	Year ended 31 March 2010 Number	Year ended 31 March 2009 Number
United Kingdom	3,143	2,931
Middle East	45	43
Spain	27	11
Other Europe	31	57
Others	4	16
	3,250	3,058

26. DIRECTORS' EMOLUMENTS

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Salaries, allowances and taxable benefits	3,677	1,677
Company contributions to pension	48	29
Bonuses	3,396	2,883
Compensation for loss of office	21,650	-
	28,771	4,589

The highest paid Director received emoluments of £2,002,073 (2009: £2,026,069) and company contributions to pension of £15,450 (2009: £6,125).

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2010 (CONTINUED)

27. SHARE-BASED PAYMENTS

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

For both plans the share options have a vesting date of two years from grant date and during this period the options may not be exercised.

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

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

The following table for stock option plan A lists the inputs to the model used for the year ended 31 March 2010:

Date of grant of share options	Dividend yield %	Historical volatility %	Risk-free interest rate %	Expected life of options Years	Share Price at Grant Date ¥
05 Aug 2002	2.49	43.72	0.73	7	1,520
22 Jul 2003	2.47	44.58	0.62	7	1,553
16 Aug 2004	2.53	43.51	1.21	7	1,453
25 Jul 2005	3.30	42.44	0.87	7	1,335
14 Jul 2006	3.08	36.48	1.68	6	2,020
01 Aug 2007	3.04	33.85	1.65	6	2,210
05 Aug 2008	3.78	32.73	1.43	6	1,493

The following table for stock option plan A lists the inputs to the model used for the year ended 31 March 2009:

Date of grant of share options	Dividend yield %	Historical volatility %	Risk-free interest rate %	Expected life of options Years	Share Price at Grant Date ¥
05 Aug 2002	2.49	43.72	0.73	7	1,520
22 Jul 2003	2.47	44.58	0.62	7	1,553
16 Aug 2004	2.53	43.51	1.21	7	1,453
25 Jul 2005	3.30	42.44	0.87	7	1,335
14 Jul 2006	3.08	36.48	1.68	6	2,020
01 Aug 2007	3.04	33.85	1.65	6	2,210
05 Aug 2008	3.78	32.73	1.43	6	1,493

Under stock option plan B, the share price 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 £34,072,000 (2009: £35,351,990).

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2010 (CONTINUED)

27. SHARE-BASED PAYMENTS (CONTINUED)

Reconciliation of share options outstanding during the year

Date of grant of share options	Exercise period of share options			Exercise price per share	No. of shares for each option	Price of ultimate holding company's share at grant date of options	As at 1st April 2009	Granted during the year	Exercised during the year	Expired during the year	Forfeited during the year	As at 31st March 2010
				¥		¥						
05-Aug-02	01 July 2004	to	30 June 2009	1,600	1,000	1,520	2				(2)	-
22-Jul-03	01 July 2005	to	30 June 2010	1,337	1,000	1,553	2					2
04-Jun-04	05 June 2006	to	04 June 2011	1	1,000	1,620	7		(7)			-
16-Aug-04	01 July 2006	to	30 June 2011	1,330	1,000	1,453	2					2
25-Apr-05	26 April 2007	to	25 April 2012	1	1,000	1,368	30		(24)			6
25-Jul-05	09 June 2007	to	08 June 2012	1,167	100	1,335	90					90
24-Apr-06	25 April 2008	to	24 April 2013	1	100	2,525	4,939		(3,734)	(11)	(28)	1,166
14-Jul-06	07 July 2008	to	06 July 2013	1,820	100	2,020	180				(30)	150
25-Apr-07	26 April 2009	to	25 April 2014	1	100	2,330	31,121		(26,075)	116	(618)	4,544
21-Jun-07	22 June 2009	to	21 June 2014	1	100	2,555	927		(650)		(40)	237
01-Aug-07	02 August 2009	to	01 August 2014	1,969	100	2,210	447		(267)		(30)	150
19-Oct-07	02 October 2009	to	01 October 2014	1	100	1,944	1,223		(1,190)			33
23-Apr-08	24 April 2010	to	23 April 2015	1	100	1,612	47,214			(265)		46,949
23-Jun-08	24 June 2010	to	23 June 2015	1	100	1,638	495					495

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2010 (CONTINUED)

27. SHARE-BASED PAYMENTS (CONTINUED)

Reconciliation of share options outstanding during the year (continued)

Date of grant of share options	Exercise period of share options			Exercise price per share	No. of shares for each option	Price of ultimate holding company's share at grant date of options	As at 1st April 2009	Granted during the year	Exercised during the year	Expired during the year	Forfeited during the year	As at 31st March 2010
				¥		¥						
05-Aug-08	06 August 2010	to	05 August 2015	1,353	100	1,493	150					150
10-Nov-08	11 November 2010	to	10 November 2015	1	100	975	5,930					5,930
30-Apr-09	01 May 2011	to	30 April 2016	1	100	589	-	73,639		(1,080)		72,559
25-Nov-09	26 November 2011	To	25 November 2016	1	100	593	-	1,583				1,583

* The opening and current year numbers for shares in each option includes expats employed in the Company.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2010 (CONTINUED)

27. SHARE-BASED PAYMENTS (CONTINUED)

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	1,264		232
	B	91,495		1
			92,759	
Granted during the year	A	-		-
	B	75,222		1
			75,222	
Forfeited during the year	A	(62)		232
	B	(686)		1
			(748)	
Exercised during the year	A	-		-
	B	(31,947)		1
			(31,947)	
Expired during the year	A			-
	B	(1,240)		1
			(1,240)	
Outstanding at the end of the year	A	1,202		232
	B	132,844		1
			134,046	
Exercisable at the end of the year	A	-		
	B	-		1

28. CAPITAL COMMITMENTS

As at 31 March 2010 there were capital commitments of £42,788,002 relating to assets in the course of construction (2009: £1,801,518).

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2010 (CONTINUED)

29. RELATED PARTY TRANSACTIONS

Profit and loss account

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.

During the year ended 31 March 2010, £Nil (2009: £1,600,000) was earned from the interest income on loans financed and bonds and from fees and other income. In addition, proceeds from investments wholly or partly disposed of during the year totalled £Nil (2009: £15,000,000).

The amounts above were transacted with the following related party;

31 March 2010	31 March 2009
-	Nations Healthcare Limited

Balance Sheet

Aggregate amounts due from related parties were as follows:

	2010	2009
	£m	£m
Gross amount receivable	0.5	0.5
Reserve against gross balance	(0.5)	(0.5)
Net amount receivable	-	-

The amounts above were due from the following related parties:

31 March 2010	31 March 2009
Meymott Street Holdings Limited	Meymott Street Holdings Limited

Meymott Street Holdings Limited is an investment vehicle through which the Company holds the investment in Dartfish.

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 for Nomura Holdings Inc.

30. CONTINGENT LIABILITIES AND COMMITMENTS

Italian Tax Dispute

On 25 January 2008 the Company was served with a Tax Notice issued by the Tax Authorities in Pescara, Italy alleging breaches by the Company of the UK - Italy Double Taxation Treaty of 1998. The alleged breaches relate to payments to the Company of tax credits on dividends on Italian shares. The Tax Notice not only denies certain payments to which the Company claims to be entitled but is also seeking reimbursement of EUR 33.8 million, including 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 for further refunds.

The matter went to a hearing in March 2009 and in mid-November 2009 a decision was issued by the Pescara Tax Court in favour of the Italian Tax Authorities. The Company intends vigorously to challenge this decision.

WestLB

On 17 April 2009 WestLB served proceedings on the Company and Nomura Bank International Plc (“NBI”), claiming that, on maturity of a note issued by NBI they were entitled to receive approximately US$22 million, which they claim to be the value of a portfolio of shares to which the note was referable. The Company, in its role as calculation agent, valued the shares at zero. WestLB are disputing this valuation and on 29th March 2010 amended their claim to add that the method of valuation, a dealer poll, was chosen by the Company, in order to produce a zero valuation and to favour NBI and, as such, was an abuse of the Company’s discretion and amounted to bad faith and fraud by the Company. The Company’s Directors and NBI are vigorously defending the action.

HM Revenue & Customs (HMRC)

HMRC is currently challenging the tax treatment of the offshore pension plan established for the employees of Nomura Employment Services (Isle of Man) Limited ("NES") by the Nomura group in 2002. HMRC is seeking to recover Pay As You Earn ("PAYE") and NICs it alleges is due from the Company in respect of employer contributions made to the NES OPP in the years 2003/04 to 2005/06 on the basis that the Company, and not NES, was the true employer of individuals participating in the NES OPP. The total amount of PAYE and NICs that HMRC currently alleges is due is approximately £22 million, with interest on that amount.

The Company believes that no tax or NIC is due. The Company has therefore lodged the necessary appeals and intends vigorously to contest the matter.

Other Litigation

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

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2010 (CONTINUED)

30. CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

Commitments

The Company had commitments as at 31 March 2010 amounting to £903,173,591 (2009: £665,837,481) in respect of undrawn note issuance facilities, loan commitments, outstanding capital contributions on investments in partnership interests and performance guarantees.

This amount includes the related party loan commitments and performance guarantees. As part of its normal business practices the Company also had commitments as at 31 March 2010 in respect of forward starting purchase and resale agreements with third parties.

31. EVENTS AFTER THE BALANCE SHEET DATE

Functional Currency

The Company changed its functional currency from Sterling to US Dollars with effect from 1 April 2010. The change in the functional currency is reported prospectively from 1 April 2010 with the opening balance sheet and income statement being translated at the US Dollar spot rate of exchange at that date. The change in functional currency has no financial effect on the Company's financial statement balances or presentation of those balances for the year to 31 March 2010.

As a result of the above change in functional currency, the Company redenominated its ordinary share capital to US Dollar, effective 1 April 2010.

Lehman Brothers Claims

After the collapse of Lehman Brothers in September 2008, the Company, Nomura Securities Co., Ltd. ("NSC") and Nomura Global Financial Products Inc. filed proofs of claim against the bankruptcy estates of Lehman Brothers Holdings Inc. and Lehman Brothers Special Financing Inc. (collectively, "Lehman Inc."), in respect of swaps and other derivative transactions in the total amount of approximately US$1 billion ("the Claims"). In April 2010, Lehman Inc. commenced proceedings in the U.S. Bankruptcy Court in New York objecting to the Claims and, in the case of the Company and NSC, seeking to recover unspecified damages. Nomura intends vigorously to contest these proceedings.

Capital Issuance

In May 2010, the Company issued $350 million of ordinary shares to Nomura Europe Holdings plc, its immediate parent company.

Bank Levy

In the Emergency Budget on 22 June 2010, the Chancellor announced the introduction of a bank levy from 1 January 2011. The levy will apply to the consolidated balance sheet of UK banking groups and building societies. It will be based on total liabilities, less Tier 1 capital, insured retail deposits, repos secured on sovereign debt and policyholder liabilities of retail insurance business within banking groups. The Company expects to be liable for this levy, but given the lack of detail available, it is not possible to accurately estimate the financial impact at the date of signing the financial statements.

32. ULTIMATE PARENT UNDERTAKING

The Company's ultimate parent undertaking and controlling party, and the parent that heads the largest group of undertakings for which consolidated financial statements are prepared, is Nomura Holdings, Inc., incorporated in Japan. Copies of the group financial statements of Nomura Holdings, Inc. may be obtained from 9-1, Nihonbashi 1-Chome, Chuo-ku, Tokyo 103-8645, Japan.

The parent that heads the smallest group of undertakings for which consolidated financial statements are prepared is Nomura Europe Holdings plc, a company registered at Nomura House, 1 St. Martin's-le-Grand, London EC1A 4NP, England.