Company Registration No. 201212290E

Nomura International Funding Pte. Ltd.

Unaudited Condensed Interim Financial Statements
For the six-months period ended 30 September 2020

Building a better working world

The interim report comprised of the director report and the condensed interim financial statements of Nomura International Funding Pte. Ltd. (the "Company") for the six-months period ended 30 September 2020. The Company is incorporated in Singapore and its registered office is 10 Marina Boulevard, Marina Bay Financial Centre Tower 2, #36-01, Singapore 018983.

Principal activities

The principal activity of the Company is that of issuance of structured credit, interest rate, equity and foreign exchange linked notes for the global markets international business outside of Japan.

Directors

The directors of the Company in office at the date of this report are:

Alok Vimalkishore Tapadia
Etsunobu Kitamura
Kelvin Ho Teik Chye
Kenichiro Asano

Risk management

The Company is exposed to a variety of financial risks, including the effects of changes in foreign exchange rates, interest rates, credit risk and liquidity risk.

Managing these financial risks forms an integral part of the Company's business. The Company's risk management policy encompasses a variety of controls and reporting processes. These include the parameters for the risks that the Company may undertake for the various financial instruments, guidelines for accepting customers and the terms under which customer business is conducted. The Company believes it has effective processes in place to identify measure, monitor and mitigate these financial risks.

The directors monitor closely the funding and operational risk arising from the Covid-19 pandemic. This include the risk relating to the receivables, debt maturity profile and impact of Covid-19 on refinancing risk from new notes issuance. The directors also assessed the going concern of the guarantors to ensure that the guarantors still maintain the ability to support the guaranteed notes.

Going concern

The interim financial statements are prepared on a going concern basis.

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.

Nomura International Funding Pte. Ltd.

Director's report
For the six-months period ended 30 September 2020 (unaudited)

Directors' responsibility in respect of the interim financial statements

The Directors confirm that, to the best of their knowledge, the interim financial statements have been prepared in accordance with International Accounting Standard ("IAS 34") and have approved the interim financial statements.

On behalf of the Board of Directors:

Alok Vimalkishore Tapadia
Director

Singapore
26 November 2020

Independent review report to the member of Nomura International Funding Pte. Ltd.

Introduction

We have reviewed the accompanying interim condensed balance sheet of Nomura International Funding Pte. Ltd. as of 30 September 2020 and the related condensed interim statements of comprehensive income, changes in equity and cash flows for the six-months period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim financial statements in accordance with IAS 34 *Interim Financial Reporting* (IAS 34). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity.* A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young LLP

Public Accountants and
Chartered Accountants
Singapore

26 November 2020

Condensed interim statement of comprehensive income
For the six-months period ended 30 September 2020 (unaudited)

	Notes	For the six months ended 30 September 2020 USD'000	For the six months ended 30 September 2019 USD'000
Interest income	3	112,331	181,462
Interest expense		(61)	(592)
Net interest income		112,270	180,870
Net losses from trading activities	4	(197,174)	(92,638)
Other income	5	64,896	1,177
(Loss)/profit before operating expenses		(20,008)	89,409
Staff costs	6	(70)	(48)
Other operating expenses	7	(4,342)	(3,888)
Total operating expenses		(4,412)	(3,936)
Less: (Allowance)/write back for impairment	8	(558)	91
(Loss)/profit before taxation		(24,978)	85,564
Taxation		4,234	(14,352)
(Loss)/profit for the period		(20,744)	71,212
Other comprehensive loss		(376,616)	(77,705)
Total comprehensive loss for the period		(397,360)	(6,493)

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

Nomura International Funding Pte. Ltd.

Condensed interim balance sheet
As at 30 September 2020 (unaudited)

	Notes	As at 30 September 2020 USD'000	As at 31 March 2020 USD'000
Assets			
Cash and cash equivalents	9	376,267	627,983
Receivables from third parties	10	2	51,995
Derivative financial instruments	19(a)	2,852,103	6,454,719
Financial assets designated at fair value through profit or loss	11	23,988	18,681
Amounts due from related companies	12	11,173,040	10,135,625
Right-of-use assets		17	17
Deferred tax asset		25,500	6,839
		14,450,917	17,295,859
Liabilities			
Payables to third parties	13	72,160	621
Derivative financial instruments	19(a)	2,907,372	6,641,529
Amounts due to related companies	14	37,943	18,726
Other payables	15	185	190
Financial liabilities designated at fair value through profit or loss	16	11,250,528	10,115,635
Provision for taxation		–	22
Deferred tax liability		–	59,538
		14,268,188	16,836,261
Net assets		182,729	459,598
Shareholder's equity			
Share capital	18	295,000	190,000
Accumulated losses		(24,306)	(19,053)
Own credit reserve		(87,965)	288,651
		182,729	459,598

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

Condensed interim statement of changes in equity
For the six-months period ended 30 September 2020 (unaudited)

	Notes	For the six months ended 30 September 2020 USD'000	For the six months ended 30 September 2019 USD'000
Issued capital			
Issued and fully paid:			
Balance at the beginning of period		190,000	190,000
Capital raised during the period		105,000	–
Balance at the end of period	18	295,000	190,000
(Accumulated losses)/retained earnings			
Balance at the beginning of period		(19,053)	12,155
Transferred from own credit reserve to retained earnings during the year		15,491	369
(Loss)/profit for the period		(20,744)	71,212
Balance at the end of period		(24,306)	83,736
Own credit reserves			
Balance at the beginning of period		288,651	116,783
Movement during the period, net of deferred tax		(376,616)	(77,705)
Balance at the end of period		(87,965)	39,078
Total equity		182,729	312,814

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

Condensed Interim cash flow statement
For the six-months period ended 30 September 2020 (unaudited)

	For the six months ended 30 September 2020 USD'000	For the six months ended 30 September 2019 USD'000
Cash flows from operating activities		
(Loss)/profit before taxation	(24,978)	85,564
Adjustments for:		
Allowance/(write back) for impairment	558	(91)
Interest income	(112,331)	(181,462)
Interest expense	61	592
Depreciation of right-of-use assets	3	2
Operating cash flows before working capital changes	(136,687)	(95,395)
(Increase)/decrease in:		
Receivables from third parties	51,993	(1,005)
Amounts due from related companies	(1,038,637)	(1,655,235)
Financial assets designated at fair value through profit or loss	(5,307)	(3,008)
Increase/(decrease) in:		
Amounts due to related companies	19,217	194,666
Payables to third parties	71,539	29,762
Other payables	(6)	9
Derivative financial instruments, net	(131,541)	(409,225)
Financial liabilities designated at fair value through profit or loss	699,802	1,603,405
Cash flows used in operating activities	(469,627)	(336,026)
Interest received	112,994	167,227
Interest paid	(61)	(592)
Tax paid	(22)	(309)
Net cash flows used in operating activities	(356,716)	(169,700)
Cash flows from financing activities		
Proceeds from issuance of shares	105,000	–
Net cash flows generated from financing activities	105,000	–
Net decrease in cash and cash equivalents for the period	(251,716)	(169,700)
Cash and cash equivalents at beginning of period	627,983	507,350
Cash and cash equivalents at end of period (Note 9)	376,267	337,650

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

1. Corporate information

Nomura International Funding Pte. Ltd. (the "Company") was incorporated on 17 May 2012. The Company is a private limited company incorporated in Singapore. Its immediate and ultimate holding company is Nomura Holdings Inc., incorporated in Japan.

The registered office of the Company is located at 10 Marina Boulevard, Marina Bay Financial Centre Tower 2, #36-01, Singapore 018983.

The principal activity of the Company is that of issuance of structured credit, equity, interest rate and foreign exchange linked notes for the global markets international business outside of Japan.

2. Summary of significant accounting policies

2.1 *Basis of preparation*

The condensed interim financial statements of the Company for the six-months period ended 30 September 2020 have been prepared in accordance with IAS 34 *Interim Financial Reporting*. The condensed interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's audited financial statements as at 31 March 2020.

The financial statements have been prepared on a historical cost basis, except as disclosed in the accounting policies below.

The financial statements are presented in United States dollars ("USD" or "US$") and all values in the tables are rounded to the nearest thousand (USD'000) except when otherwise indicated.

2.2 *Changes in accounting policies*

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Company has adopted all the new and revised standards that are effective for annual periods beginning on or after 1 April 2020. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Company.

2. Summary of significant accounting policies (cont'd)

2.3 *Impact of standards issued but not yet effective*

The Company has not adopted the following standards that have been issued but are not yet effective:

Description	Effective for annual periods beginning on or after
Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020
Amendments to IAS 1 and IAS 8 *Definition of Material*	1 January 2020
Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Date to be determined

The directors expect that the adoption of the standards above will have no material impact on the financial statements in the period of initial application.

2.4 *Significant accounting estimates and judgements*

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

(a) *Impairment losses on financial assets*

Allowance for impairment of financial assets is determined in accordance with Note 2.9. This requires management's experience and significant judgement to evaluate various factors such as economic indicators, significant increase in credit risk, business prospects, timing and amount of future cash flows and liquidation proceeds from collateral.

2. Summary of significant accounting policies (cont'd)

2.4 *Significant accounting estimates and judgements (cont'd)*

(b) *Fair value of financial instruments*

The fair value financial instruments that are not quoted in active markets are determined using valuation techniques. Where valuation techniques (e.g. models) are used to determine fair value, they are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are certified before they are used and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data.

Certain input parameters such as credit risks (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about the input parameters may affect the reported fair value of financial instruments. Effective from 1 April 2020, the Company has changed the valuation technique used to determine Own Credit Adjustment ("OCA") pertaining to certain financial liabilities designated at fair value through profit or loss. The change is to enable the Company to better reflect the gain/loss attributable to OCA. Refer to Notes 11, 16 and 19(a) to the financial statements for details.

The impact of the COVID-19 pandemic has resulted in significant market volatility resulting in movements in credit spreads used in determining the OCA curve. The OCA curve is used for the purpose of calculating the OCA which forms part of the fair value of the financial liabilities designated at fair value through profit and loss.

(c) *Taxes*

Significant judgement is involved in determining the Company's provision for taxation. During the ordinary course of business, there are certain transactions and computations for which the ultimate tax determination may differ to the provision for taxation. The Company recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the financial year in which such determination is made.

2. Summary of significant accounting policies (cont'd)

2.5 *Functional currency*

The functional currency of the Company is the US$. The Company is of the opinion that the US$ reflects the economic substance of the underlying events and circumstances relevant to the Company.

2.6 *Foreign currencies*

Transactions in foreign currencies are measured and recorded on initial recognition in the functional currency at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

2.7 *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances held with banks with reputable standing and hence are subject to an insignificant risk of changes in value.

2.8 *Financial assets*

Initial recognition and measurement

Financial assets are recognised when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. The Company determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transactions costs. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

2. Summary of significant accounting policies (cont'd)

2.8 *Financial assets (cont'd)*

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss includes financial assets held for trading and designated upon initial recognition as at fair value through profit or loss. All derivatives that are held-for-trading are fair value through profit or loss. Financial assets designated at fair value through profit or loss are fully funded over-the-counter equity options which are risk managed on a fair value basis where the Company elects the fair value option.

Subsequent to initial recognition, financial assets in this category are measured at fair value with gains or losses arising from changes in fair value recognised in profit or loss within "net losses from trading activities".

(b) Financial assets at amortised cost

The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired, and through amortisation process.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired, and through amortisation process. Financial assets at amortised cost include receivables from third parties and amounts due from related companies that are held for the collection of contractual cash flows.

2. Summary of significant accounting policies (cont'd)

2.8 *Financial assets (cont'd)*

Regular way purchase or sale of a financial asset

All regular way purchases and sales of financial assets are recognised or derecognised on the settlement date i.e., the date that the asset is delivered to or by the Company. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the financial period generally established by regulation or convention in the marketplace concerned.

De-recognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- The contractual rights to receive cash flows from the asset have expired;
- The Company retains the contractual rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- The Company has transferred its rights to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset; or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option on the transferred asset, the extent of the Company's continuing involvement is the amount of the transferred asset that the Company may repurchase, except that in the case of a written put option on an asset measured at fair value, the extent of the Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

On derecognition of a financial asset in its entirety, the differences between the carrying amount and the sum of: (a) the consideration received (including any new asset obtained less any new liability assumed); and (b) any cumulative gains or losses that have been recognised directly in other comprehensive income is recognised in profit or loss.

2. Summary of significant accounting policies (cont'd)

2.9 *Impairment of financial assets*

General ECL impairment model

Under this model, the ECL associated with a financial asset is typically a product of its probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD") discounted using the original effective interest rate to the reporting date.

The Company leverages the Nomura Group's models/parameters used for Basel reporting purposes, where feasible and available, with modifications to align to IFRS 9 requirements.

- PD - PDs are sourced from industry data and validated based on historical experience, incorporating forward-looking scenarios.
- LGD - LGDs are determined by class of financial instrument based on historical experience of loss and recovery rates for similar financial instruments and other relevant industry data. Adjustments are made to reflect impact of collateral and integral credit enhancements.
- EAD - EAD is based on the current gross carrying value of the financial instruments, with adjustments made for significant scheduled or potential repayment and drawdowns.

Assessment of significant increase in credit risk

Under the General ECL impairment model, determination of whether a significant increase in credit risk has occurred at each reporting date is primarily through observed changes in internal credit ratings between initial recognition and reporting date, which is more than pre-specified thresholds.

Non-credit impaired exposures more than 30 days past due are considered to have experienced a significant increase in credit risk, and are transferred to Stage 2.

Exposures are transferred back to Stage 1 when they no longer meet the criteria for a significant increase in credit risk.

The Company considers "low credit risk" to meet all of the following criteria.

- Low default risk - possess an investment grade credit rating using a combination of internal and external credit rating model;
- The obligor has a strong capacity in the short term to meet its obligations; and
- Expectations that adverse change in economic and business conditions will not necessary reduce the ability of the obligor to meet its obligations.

2. Summary of significant accounting policies (cont'd)

2.9 *Impairment of financial assets (cont'd)*

Definition of default for credit-impaired financial assets

Exposures are classified as Stage 3 if these are deemed to be credit-impaired or have demonstrated objective evidence of default as at the reporting date.

The Company uses the following criteria to determine whether there is evidence of default:

- Default or delinquency in interest or principal payments
- Granting of a concession to existing contractual terms for economic or legal reasons relating to the borrower's financial difficulty
- Bankruptcy filings, liquidation or other winding-up or cessation of business of an obligor or other similar situations

Exposures which are 90 days or more past due are considered to be credit impaired, and are transferred to Stage 3.

Exposures that are credit-impaired are classified as Stage 3 and could be upgraded to Stage 1 or Stage 2 if supported by repayment capability, cash flows and financial position of the borrower and it is unlikely that the exposure will be classified again as credit-impaired in the future.

Expected Life

When measuring Stage 2 or 3 ECL, cash flows over the expected remaining life of the financial asset are considered. The expected life for this purpose is the maximum contractual period over which the Company is exposed to credit risk from the financial instrument.

Governance framework

ECL models are subject to an independent assurance process, which is managed by the Risk Model Validation Group ("RMVG"), and are also reviewed regularly. This assurance process covers the review of the underlying ECL methodology including its logic and conceptual soundness, together with the integrity of model inputs and outputs.

2. Summary of significant accounting policies (cont'd)

2.10 ***Financial liabilities***

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classifications as follows:

(a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held-for-trading and financial liabilities designated at fair value through profit or loss. Financial liabilities are classified as held-for-trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held-for-trading unless they are designated as effective hedging instruments. Financial liabilities designated at fair value through profit or loss includes structured notes issued by the company which are risk managed on a fair value basis and fully funded derivative contracts where initial investment of greater than 90% of the notional of the embedded derivative has been received where the Company elects the fair value option.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in profit or loss. Any gains or losses arising from changes in own credit risk of notes issued are recognised in the other comprehensive income.

(b) Financial liabilities at amortised cost

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration is recognised in profit or loss. However, the own credit risk of notes issued is not allowed to be recycled to profit or loss upon derecognition.

2. Summary of significant accounting policies (cont'd)

2.11 *Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount is presented in the balance sheet, when and only when, there is a currently enforceable legal right to set-off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Amounts due to/due from counterparties are only netted if there is a legal right to offset and management intends to settle on a net basis, or to realise an asset and settle the liability simultaneously. At present, no transactions meet these criteria and no amounts due to/due from by counterparties have been netted.

2.12 *Provisions*

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provisions are reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provisions due to the passage of time is recognised as a finance cost.

2.13 *Revenue*

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The following specific recognition criteria must also be met before revenue is recognised:

(a) *Interest income*

Interest income is recognised on a time proportion basis using the effective interest rate which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instruments or a shorter period, where appropriate, to the net carrying amount of the financial assets or liabilities.

(b) *Other income*

Other income includes transfer pricing income accrued based on agreed methodology which includes trading activities of which profit and/or loss is recharged to a related company.

(c) *Net losses from trading activities*

Net losses from trading activities include gains and losses from changes in fair value of financial assets and liabilities designated at fair value through profit or loss and derivative financial assets and liabilities.

2. Summary of significant accounting policies (cont'd)

2.14 *Taxes*

(a) *Current income tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(b) *Deferred tax*

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amount for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2. Summary of significant accounting policies (cont'd)

2.14 *Taxes (cont'd)*

(b) *Deferred tax (cont'd)*

The carrying amount of deferred tax asset is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the financial period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set-off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(c) *Sales tax*

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

2.15 *Employee benefits*

(a) *Defined contribution plan*

As required by law in Singapore, the Company makes contribution to the state retirement scheme, the Central Provident Fund ("CPF"), a defined contribution pension scheme. These contributions are recognised as an expense in the period in which the related service is performed.

(b) *Employee leave entitlement*

Employee entitlements to annual leave are recognised when they are accrued to employees. A provision is made for the estimated liability for leave as a result of services rendered by employees up to the end of the reporting period.

2. Summary of significant accounting policies (cont'd)

2.16 *Related parties*

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Company if that person:

- (i) Has control or joint control over the Company;
- (ii) Has significant influence over the Company; or
- (iii) Is a member of the key management personnel of the Company or of a parent of the Company.

(b) An entity is related to the Company if any of the following conditions applies:

- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- (iii) Both entities are joint ventures of the same third party;
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;
- (vi) The entity is controlled or jointly controlled by a person identified in (a);
- (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

3. Interest income

	For the six months ended 30 September 2020 USD'000	**For the six months ended 30 September 2019** USD'000
Loans due from related companies	111,949	174,937
Collaterals placed with related companies	193	2,176
Others	189	4,349
	112,331	181,462

4. Net losses from trading activities

	For the six months ended 30 September 2020 USD'000	For the six months ended 30 September 2019 USD'000
Financial instruments held for trading	70,839	444,141
Financial liabilities designated at fair value through profit or loss	(268,013)	(536,779)
	(197,174)	(92,638)

Interest expense on financial liabilities designated at fair value through profit or loss is USD85,636,000 (2019: USD74,068,000).

5. Other income

	For the six months ended 30 September 2020 USD'000	For the six months ended 30 September 2019 USD'000
Service fees from related companies	1,743	1,177
Transfer pricing income from related companies	63,153	–
	64,896	1,177

6. Staff costs

	For the six months ended 30 September 2020 USD'000	For the six months ended 30 September 2019 USD'000
Salaries, wages, bonuses and other staff related expenses	63	42
Defined contribution plan	7	6
	70	48

7. Other operating expenses

	For the six months ended 30 September 2020 USD'000	For the six months ended 30 September 2019 USD'000
Guarantee fees payable to related companies	2,605	2,516
Service fees paid to a related company	1,017	533
Legal and professional fees	443	444
Sales and withholding tax	72	239
Other expenses	205	156
	4,342	3,888

8. Allowance for impairment

	For the six months ended 30 September 2020 USD'000	For the six months ended 30 September 2019 USD'000
Stage 1 ECL allowance		
Amount due from related companies (Note 12)	558	359
	558	359

The table below shows the movement in allowance for ECL during the period/year:

	Balance at 1 April 2020 USD'000	Charge to income statement USD'000	Balance at 30 September 2020 USD'000
Amounts due from related companies	1,000	558	1,558
	1,000	558	1,558

The balance above wholly relates to Stage 1 ECL under IFRS 9. These receivables are not past due and are collectively assessed for impairment. There was no movement between ECL stages during the year. The increase in ECL was solely driven by the increase in carrying value of financial assets as at period end. As the amounts due from related companies are relatively short term in nature, the ECL is not expected to be significant.

9. Cash and cash equivalents

	30 September 2020 USD'000	31 March 2020 USD'000
Cash balances with banks	376,267	627,983

Cash balances with banks earn interest at prevailing deposit rates.

10. Receivables from third parties

Receivables are due from distribution agents and are repayable within 30 days. The receivables are neither past due nor impaired.

11. Financial assets designated at fair value through profit or loss

The financial assets are fully funded over-the-counter ("OTC") equity options. The equity options held for trading are entered into with related companies, Nomura Securities Bermuda and they mature on June 2026. The notional value at the period ended was USD11,300,000 (31 March 2020: USD31,300,000). Fair value changes arising from changes in credit risk at the period ended was not significant.

12. Amounts due from related companies

	30 September 2020 USD'000	31 March 2020 USD'000
Loans due from related companies	10,796,828	9,859,583
Less: Allowance for impairment (Note 8)	(1,558)	(1,000)
Collateral placed	98,314	211,981
Receivables due from related companies	254,747	30,790
Interest receivables due from related companies	22,005	32,810
Service fee due from related companies	2,704	1,461
	11,173,040	10,135,625

Loans with related companies are unsecured, bear interest at various 1 and 3 month interbank offer rate plus market related spread. Short term loans have maturities ranging from October 2020 to July 2021 while long term loans have maturities ranging up to April 2025.

Placement with related companies are unsecured, bear interest at US Federal Funds Rate and repayable within 30 days.

Receivables due from related companies are unsecured, non-interest bearing and repayable on demand.

13. Payables to third parties

Payables due to distribution agents are non-interest bearing and are normally settled within 30 days.

14. Amounts due to related companies

	30 September 2020 USD'000	31 March 2020 USD'000
Trade payables	25,883	5,698
Lease payable	17	17
Guarantee fee payables	2,801	5,179
Service fee payables	5,622	4,607
Other payables	3,620	3,225
	37,943	18,726

Trade payables comprised cash collateral placed by a related company and trade payables to related companies before settlement date.

Guarantee fee payables are paid to Nomura Holdings Inc. for the guarantee provided on the notes issued by the Company and are payable within 12 months.

15. Other payables

	30 September 2020 USD'000	31 March 2020 USD'000
Accrued operating expenses	19	40
Provision for staff related costs	166	150
	185	190

16. Financial liabilities designated at fair value through profit or loss

	30 September 2020 USD'000	31 March 2020 USD'000
Notes in issue, by remaining maturity:		
- Less than 5 years	4,047,161	2,819,576
- Greater than 5 years	7,203,367	7,296,059
	11,250,528	10,115,635

The financial liabilities designated at fair value through profit or loss comprised USD11,250,528 of structured notes with maturity dates ranging from October 2020 to December 2067. The structured notes issued by the Company form part of a group of financial instruments that together are managed on a fair value basis. The impact of fair value changes in own credit risk recorded on the balance sheet as at 30 September 2020 was a loss of USD105,981,000 (31 March 2020: USD347,772,000). The notes are guaranteed by either a related company, Nomura Securities Co Ltd (incorporated in Japan) or the holding company, Nomura Holdings Inc.

17. Related party transactions

Other than what have been disclosed elsewhere in the financial statements, the following transactions between the Company and related parties took place at normal trade terms agreed between the parties during the financial year.

	For the six months ended 30 September 2020 USD'000	For the six months ended 30 September 2019 USD'000
Net gains from trading activities	94,062	430,122

18. Share capital

	30 September 2020		31 March 2020	
	No. of shares '000	USD'000	No. of shares '000	USD'000
Issued and fully paid:				
At beginning of period/year	100,000	190,000	100,000	190,000
Issued during the period/year	52,500	105,000	–	–
At end of period/ year	152,500	295,000	100,000	190,000

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

19. Fair value of financial instruments

(a) *Fair value hierarchy*

The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - Quoted prices unadjusted in active markets for identical assets or liabilities;
Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3 - Inputs for the assets or liabilities that are not based on observable market data (i.e. unobservable inputs).

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The following table shows an analysis of financial instruments carried at fair value by level of fair value hierarchy:

30 September 2020	**Level 1** USD'000	**Level 2** USD'000	**Level 3** USD'000	**Total** USD'000
Recurring fair value measurements				
Financial assets:				
Financial assets designated at fair value through profit or loss	–	23,988	–	23,988
Derivatives financial assets:				
Foreign exchange options	–	130	382	512
Foreign exchange swaps	–	3,493	22	3,515
Equity options	–	34,345	24,246	58,591
Credit default swaps	–	68,187	21,126	89,313
Interest rate options	–	257,849	8,612	266,461
Interest rate swaps	–	2,433,262	449	2,433,711
As at 30 September 2020	–	2,821,254	54,837	2,876,091

19. Fair value of financial instruments (cont'd)

(a) *Fair value hierarchy (cont'd)*

30 September 2020	**Level 1** USD'000	**Level 2** USD'000	**Level 3** USD'000	**Total** USD'000
Financial liabilities:				
Financial liabilities designated at fair value through profit or loss	–	11,250,528	–	11,250,528
Derivatives financial liabilities:				
Foreign exchange options	–	721	8,910	9,631
Foreign exchange swaps	–	7,797	–	7,797
Equity options	–	64,730	31,986	96,716
Credit default swaps	–	29,689	33,302	62,991
Interest rate options	–	9,773	16,633	26,406
Interest rate swaps	–	2,698,558	5,273	2,703,831
As at 30 September 2020	–	14,061,796	96,104	14,157,900
31 March 2020				
Recurring fair value measurements				
Financial assets:				
Financial assets designated at fair value through profit or loss	–	18,681	–	18,681
Derivatives financial assets:				
Foreign exchange options	–	–	263	263
Foreign exchange swaps	–	5,025	5,144	10,169
Equity options	–	18,445	10,989	29,434
Credit default swaps	–	15,379	31,782	47,161
Interest rate options	–	65,668	146	65,814
Interest rate swaps	–	6,301,870	8	6,301,878
As at 31 March 2020	–	6,425,068	48,332	6,473,400

19. Fair value of financial instruments (cont'd)

(a) *Fair value hierarchy (cont'd)*

31 March 2020	**Level 1** USD'000	**Level 2** USD'000	**Level 3** USD'000	**Total** USD'000
Financial liabilities:				
Financial liabilities designated at fair value through profit or loss	–	10,115,635	–	10,115,635
Derivatives financial liabilities:				
Foreign exchange options	–	–	28,277	28,277
Foreign exchange swaps	–	17,869	–	17,869
Equity options	–	83,563	244,319	327,882
Credit default swaps	–	83,919	108,504	192,423
Interest rate options	–	435,570	99,500	535,070
Interest rate swaps	–	5,515,397	24,611	5,540,008
As at 31 March 2020	–	16,251,953	505,211	16,757,164

Financial assets and financial liabilities not carried at fair value

Carrying amounts of cash and cash equivalents, receivables from third parties, amounts due from related companies, payables to third parties, amounts due to related companies and other payables are not carried at fair value. However, their carrying values approximate their respective fair values, either because of the relatively short-term maturity or because the interest rates are generally reset after a short period of time.

Valuation processes

The Company is fully integrated into the Nomura Group's governance framework which mandates determination or validation of a fair value measurement by control and support functions independent of the businesses assuming the risk of the financial instrument in order to ensure the appropriateness of any fair value measurement of a financial instrument used within these financial statements including those classified as Level 3 within the fair value hierarchy.

19. Fair value of financial instruments (cont'd)

(a) ***Fair value hierarchy (cont'd)***

Valuation processes (cont'd)

The functions for either defining, implementing or maintaining valuation policies and procedures are as follows:

- The Valuation Control Group ("VCG") within Nomura's Finance Department has the primary responsibility to determine and implement valuation policies and procedures in connection with determination of fair value measurements. VCG performs independent price verification to verify the appropriateness of fair value measurements applied to all financial instruments. The independent price verification process seeks to ensure the valuation technique and inputs are appropriate, reasonable and consistently applied.

- The Global Valuation Model Validation Group ("VMVG") validates the appropriateness and consistency of pricing models used to determine fair value measurements independently of those who design and build the models.

(b) ***Level 2 fair value measurements***

The following is a description of the valuation techniques and inputs used in the fair value measurement for assets and liabilities that are categorised within Level 2 of the fair value hierarchy:

(i) *Financial assets and liabilities designated at fair value through profit or loss*

Fully funded OTC equity options and structured notes are valued using a valuation technique such as discounted cash flow model and option pricing model. The models incorporate various inputs including foreign exchange spot and forward rates, equity volatilities, interest rate curves and forward rate curves. A valuation adjustment is also made to the entire structured note in order to reflect Nomura's own creditworthiness. This adjustment is determined based on observable evidence relating to Nomura credit quality and/or debt instruments and is therefore typically treated as a Level 2 valuation input. Structured notes are generally classified in Level 2 of the fair value hierarchy as all significant valuation inputs and adjustments are observable.

(ii) *Derivatives*

Derivative products valued using a valuation technique with market-observable inputs are mainly interest rate swaps and options, currency swaps and forward foreign exchange contracts. The most frequently applied valuation technique is discounted cash flow model.

19. Fair value of financial instruments (cont'd)

(c) *Level 3 fair value measurements*

(i) *Information about significant unobservable inputs used in Level 3 fair value measurements*

The following table shows the information about fair value measurements using significant unobservable inputs (Level 3):

Description	Fair value as at 30 September 2020 USD'000	Valuation techniques	Unobservable inputs	Range
Interest rate swaps	(4,824)	Discounted cash flow	IR vs IR Correlation; Other vs Other Correlation IR vs inflation Correlation	(69.00)% to 97.02%
Credit default swaps	(12,176)	Discounted cash flow	IR vs IR Correlation; IR vs FX Correlation; IR vs EQ Correlation; Other vs Other Correlation; EQ vs Other Correlation;	(69.00)% to 79.37%
Equity options	(7,740)	Discounted cash flow/option model	IR vs IR Correlation; IR vs FX Correlation; IR vs EQ Correlation; Other vs Other Correlation; EQ vs Other Correlation;	(76.00)% to 91.28%
Foreign exchange options	(8,529)	Discounted cash flow/option model	IR vs FX Correlation; IR vs IR Correlation; IR vs EQ Correlation; Other vs Other Correlation; EQ vs Other Correlation	(69.00)% to 99.91%
Foreign exchange swaps	22	Discounted cash flow	FX Vol	7.03% to 7.11%
Interest rate options	(8,021)	Discounted cash flow/option model	IR vs IR Correlation; IR vs FX Correlation; Other vs Other Correlation; IR vs inflation Correlation	(84.00)% to 97.60%

19. Fair value of financial instruments (cont'd)

(c) *Level 3 fair value measurements (cont'd)*

(i) *Information about significant unobservable inputs used in Level 3 fair value measurements (cont'd)*

Description	**Fair value as at 31 March 2020** USD'000	**Valuation techniques**	**Unobservable inputs**	**Range**
Credit default swaps	(76,721)	Discounted cash flow	IR vs IR Correlation; IR vs FX Correlation; IR vs EQ Correlation; Other vs Other Correlation; EQ vs Other Correlation; EQ vs EQ Correlation	80.30% to (69.00)%
Equity options	(233,330)	Discounted cash flow/option model	IR vs FX Correlation; IR vs IR Correlation; EQ vs Other Correlation; IR vs EQ Correlation; Other vs Other Correlation EQ vs EQ Correlation	94.60% to (76.00)%
Foreign exchange options	(28,014)	Discounted cash flow/option model	IR vs FX Correlation; IR vs IR Correlation; IR vs EQ Correlation; Other vs Other Correlation; EQ vs Other Correlation	99.90% to (69.00)%

19. Fair value of financial instruments (cont'd)

(c) *Level 3 fair value measurements (cont'd)*

(i) *Information about significant unobservable inputs used in Level 3 fair value measurements (cont'd)*

Description	**Fair value as at 31 March 2020** USD'000	**Valuation techniques**	**Unobservable inputs**	**Range**
Foreign exchange swaps	5,144	Discounted cash flow	FX Volatility	12.34% to 11.36%
Interest rate options	(99,354)	Discounted cash flow/option model	IR vs IR Correlation; IR vs FX Correlation; Other vs Other Correlation; EQ vs Other Correlation	98.10% to (84.00)%
Interest rate swaps	(24,595)	Discounted cash flow	IR vs IR Correlation; IR vs FX Correlation; EQ vs Other Correlation; IQ vs EQ Correlation; Other vs Other Correlation	97.70% to (69.00)%

<u>Impact on fair value of Level 3 financial instruments measured at fair value of changes to key assumptions</u>

For each class of financial instrument described in the above table, changes in each of the significant unobservable inputs and assumptions used by the Company will impact upon the determination of a fair value measurement for the financial instrument. As the Company backs out its market risk, the management of the market risk is monitored on a net risk basis. As such, , management does not anticipate a significant impact in the net fair value of Level 3 financial instruments.

As the Company enters into derivative transactions to hedge its exposures in loans and medium term notes, the increase or decrease in the value of the Level 3 portfolio will not significantly impact its profits and losses. Hedging derivative instruments offset the positions arising from the derivatives which are embedded in the debt instruments and limit the sensitivity of fair value to changes in unobservable inputs related to these financial instruments.

19. Fair value of financial instruments (cont'd)

(c) *Level 3 fair value measurements (cont'd)*

(ii) *Movements in Level 3 financial instruments measured at fair value*

Assets and liabilities move between Level 2 and Level 3 primarily when there is an increase or decrease in market activity related to an unobservable input, or a change in the significance of the unobservable input, with instruments classified as Level 3 if an unobservable input is deemed significant. The transfers occurred at the beginning of the reporting period.

The following table shows a reconciliation of the opening and closing amounts of Level 3 financial liabilities which are recorded at fair value:

	At 1 April 2020	**Transfers in**	**Transfers out**	**Settlements**	**Total gains/ (losses) in profit or loss**	**At 30 September 2020**
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Financial assets:						
Derivative financial instruments						
Foreign exchange options	283	–	–	(263)	362	382
Foreign exchange swaps	5,144	–	–	(9,076)	3,954	22
Equity options	10,989	4	(157)	(10,973)	24,383	24,246
Credit default swaps	31,782	–	(22,205)	(5,144)	16,693	21,126
Interest rate options	146	–	–	(146)	8,612	8,612
Interest rate swaps	8	–	–	(8)	449	449
Total level 3 financial assets	48,352	4	(22,362)	(25,610)	54,453	54,837
Financial liabilities:						
Derivative financial instruments						
Foreign exchange options	28,277	–	–	(88,900)	69,533	8,910
Equity options	244,319	3,141	(36,522)	(264,422)	85,470	31,986
Credit default swaps	108,504	–	–	(95,112)	19,910	33,302
Interest rate options	99,500	–	–	(96,318)	13,451	16,633
Interest rate swaps	24,811	–	–	(24,553)	5,015	5,273
Total level 3 financial liabilities	505,411	3,141	(36,522)	(569,305)	193,379	96,104

19. Fair value of financial instruments (cont'd)

(c) *Level 3 fair value measurements (cont'd)*

(ii) *Movements in Level 3 financial instruments measured at fair value (cont'd)*

	At 1 April 2019 USD'000	**Transfers in** USD'000	**Transfers out** USD'000	**Settlements** USD'000	**Total gains/ (losses) in profit or loss** USD'000	**At 31 March 2020** USD'000
Financial assets:						
Derivative financial instruments						
Foreign exchange options	1,786	–	(11)	(1,774)	262	263
Foreign exchange swaps	2,232	–	–	–	2,912	5,144
Equity options	7,297	1,025	(4,446)	(3,785)	10,898	10,989
Credit default swaps	34,845	–	–	(5,178)	2,115	31,782
Interest rate options	1,144	–	–	(975)	(23)	146
Interest rate swaps	27,830	1	(19)	(30,037)	2,233	8
Total level 3 financial assets	75,134	1,026	(4,476)	(41,749)	18,397	48,332
Financial liabilities:						
Derivative financial instruments						
Foreign exchange options	19,570	–	–	(4,661)	13,368	28,277
Foreign exchange swaps	28	–	(28)	–	–	–
Equity options	45,377	405	(5,027)	(39,340)	242,904	244,319
Credit default swaps	25,555	–	–	(24,743)	107,692	108,504
Interest rate options	41,995	–	–	(6,318)	63,823	99,500
Interest rate swaps	11,816	2	–	(3,134)	15,927	24,611
Total level 3 financial liabilities	144,341	407	(5,055)	(78,196)	443,714	505,211

19. Fair value of financial instruments (cont'd)

(c) *Level 3 fair value measurements (cont'd)*

(iii) *Valuation techniques*

Derivatives are valued using internal models using market transactions and other market evidence whenever possible, including market-based inputs to models, model calibration to market clearing transactions, or alternative pricing sources with reasonable levels of price transparency. Valuation techniques include discounted cash flow techniques and option pricing models. Derivatives that are valued using models with significant unobservable inputs such as correlation, long-dated volatility, or other unobservable inputs are classified within Level 3.

Valuation techniques may 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.

20. Event after the reporting period

On 25 November 2020, the Company allotted 40,000,000 new ordinary shares to the parent company at a cash consideration of US$80,000,000. Upon completion of the allotment of the new shares, the Company will have a total share capital of US$375,000,000 comprising of 192,500,000 ordinary shares.

21. Capital management

The objective of the Company's capital management is to safeguard its ability to continue as a going concern so that it can continue to manage the financing needs and liquidity position of the Nomura Group. In order to maintain or achieve an optimal capital structure, the Company may adjust, in light of changes in economic conditions, the amounts of dividend payment and capital return to shareholders.

The capital structure of the Company comprised issued capital and reserves as disclosed in the statement of changes in equity.

The Company is not subject to externally imposed capital requirements.