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8 FEBRUARY 2011

SECURITIES NOTE

# NOMURA

## NOMURA BANK INTERNATIONAL PLC

*(incorporated with limited liability in England with registered number 1981122)*

### EUR 500,000,000 Floating Rate Notes, due 2019

(comprising (i) EUR 100,000,000 Floating Rate Notes due 2019 issued on 21 October 2009, (ii) EUR 100,000,000 Floating Rate Notes due 2019 issued on 14 October 2009 and (iii) EUR 300,000,000 Floating Rate Notes due 2019 issued on 30 September 2009, all of which have been consolidated and form a single series)

This securities note (the "**Document**"), together with the registration document dated 5 January 2011 of Nomura Bank International plc (the "**NBI Registration Document**") which has been filed with the UK Financial Services Authority (the "**FSA**") in its capacity as competent authority under the UK Financial Services and Markets Act 2000 (the "**UK Listing Authority**"), save for the statement in the NBI Registration Document referred to in the section "Description of the Issuer" below, constitutes a prospectus (the "**Prospectus**") for the purposes of Article 5.3 of Directive 2003/71/EC (the "**Prospectus Directive**") relating to the issue of EUR 500,000,000 Floating Rate Notes, due 2019 (the "**Notes**") issued by Nomura Bank International plc (the "**Issuer**") and irrevocably and unconditionally guaranteed by Nomura Holdings, Inc. (the "**Guarantor**") under the Guarantee (as defined on page 38 under section entitled, "General Terms and Conditions"). This Document relates solely to the Notes defined above and described herein and, for the purposes of the Notes only, supersedes and replaces any other prospectus in relation to the Notes prior to the date of this Document.

The NBI Registration Document is made available to you in an electronic form on the website [www.nomuranow.com](http://www.nomuranow.com). You are reminded that documents transmitted via this medium may be altered during the process of electronic transmission and consequently neither the Issuer nor any of its affiliates, directors, officers, employees or agents accepts any liability or responsibility whatsoever in respect of any difference between the documents distributed to you in electronic format and the hard copy version available to you on request from the registered office of the Issuer shown at the end of this Document.

This Document has been filed with the UK Financial Services Authority (the "**FSA**") in its capacity as competent authority under the UK Financial Services and Markets Act 2000 (the "**UK Listing Authority**").

Application has been made to the UK Listing Authority for the Notes to be admitted to the Official List of the UK Listing Authority, and to the London Stock Exchange plc (the "**London Stock Exchange**") and for the Notes to be admitted to trading on the London Stock Exchange's Regulated Market, which is a regulated market for the purposes of the Markets in Financial Instruments Directive 2004/39/EC. No assurances can be given that such application for admission to trading and listing will be granted. Upon such application being granted, the Issuer anticipates that it will apply for the de-listing of the Notes from the Luxembourg Euro MTF Market.

**Dealer**

**Nomura International plc**

**The date of this Document is 8 February 2011**

## NOTICE TO INVESTORS

Each of the Issuer and the Guarantor accepts responsibility for the information contained in this Document. To the best of the knowledge and belief of the Issuer and the Guarantor (each having taken all reasonable care to ensure that such is the case), the information contained in this Document is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Issuer does not anticipate that it, or any person authorised by it, will make an offer of the Notes to the public (as defined in section 102B of the FSMA or other applicable legislation implementing the Prospectus Directive in the relevant jurisdiction). Nevertheless, in the event that any person (an "**Investor**") intends to acquire the Notes from any person (an "**Offeror**"), such Investor should be aware that, in the context of an offer to the public, the Issuer shall only be responsible to the Investor for this Document under section 90 of FSMA (or other applicable legislation implementing the Prospectus Directive in the relevant jurisdiction) if the Issuer has authorised the Offeror to make the offer to the Investor. Each Investor considering purchasing a Note as part of an offer to the public in the EEA should therefore enquire whether the Offeror is so authorised by the Issuer. If the Offeror is not so authorised by the Issuer, the Investor should check with the Offeror whether anyone is responsible for this Document for the purposes of section 90 of FSMA (or other applicable legislation implementing the Prospectus Directive in the relevant jurisdiction) in the context of the offer to the public, and, if so, who that person is. If the Investor is in any doubt about whether it can rely on this Document and/or who is responsible for its contents, it should take legal advice. **Where information relating to the terms of the relevant offer required pursuant to the Prospectus Directive is not contained in this Document, it will be the responsibility of the relevant Offeror at the time of such offer to provide the Investor with such information. This does not affect any responsibility which the Issuer may otherwise have under applicable laws.**

This Document is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "*Documents Incorporated by Reference*" below). This Document shall, save as specified herein, be read and construed on the basis that such documents are so incorporated and form part of this Document.

The Dealer has not separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility is accepted by the Dealer as to the accuracy or completeness of the information contained in this Document or any other information provided by the Issuer or the Guarantor in connection with the Notes. The Dealer does not accept any liability in relation to the information contained in this Document or to any other information provided by the Issuer in connection with the Notes.

No person has been authorised to give any information or to make any representation not contained in or consistent with this Document or any other information supplied in connection with the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Guarantor or the Dealer.

Neither this Document nor any other information supplied in connection with the Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Issuer, the Guarantor or the Dealer that any recipient of this Document or any other information supplied in connection with the Notes should purchase the Notes. Each investor contemplating purchasing the Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness of the Issuer and the Guarantor.

The delivery of this Document does not at any time imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Notes is correct as of any time subsequent to the date indicated in the document containing the same. The Dealer expressly does not undertake to review the financial condition or affairs of the Issuer and/or any of its subsidiaries during the life of the Notes. Investors should review, *inter alia*, the most recent financial statements of the Issuer and the Guarantor when deciding whether or not to purchase the Notes.

The distribution of this Document and the offer or sale of the Notes is restricted by law in certain jurisdictions. The Issuer, the Guarantor and the Dealer do not represent that this Document may be lawfully distributed, or that the Notes may be lawfully offered, in compliance with any applicable

registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering.

The Notes and the Guarantee have not been and will not be registered under the United States Securities Act, 1933, as amended (the "**Securities Act**") and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons (see "*Subscription and Sale*" below).

All references in this Document to (i) "**euro**", "**Euro**", "**EUR**" and "**€**" refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended, (ii) "**U.S. dollars**", "**U.S.\$**" and "**USD**" refer to the lawful currency for the time being of the United States of America and (iii) "**£**" and "**Sterling**" refer to the lawful currency for the time being of the United Kingdom and (iv) "**Yen**" or "**Japanese Yen**" refers to the lawful currency for the time being of Japan.

*The Notes are linked to the 10-year EUR-ISDA-EURIBOR-Swap Rate-11.00 (as defined in the 2006 ISDA Definitions) and an investment in the Notes involves a high degree of risk.*

*The Issuer's payment and/or delivery obligations in respect of the Notes will be unconditionally and irrevocably guaranteed by the Guarantor under the Guarantee. The obligations of the Guarantor under the Guarantee will constitute direct, unconditional, unsubordinated and, subject to the provisions of Condition 3(b) (as specified below under Terms and Conditions of the Note – General Terms and Conditions), unsecured obligations of the Guarantor and shall (subject as aforesaid and save for obligations in respect of taxes and certain other statutory exceptions) at all times rank at least equally with all other present and future unsecured and unsubordinated obligations of the Guarantor.*

*Investors should have sufficient knowledge and experience in financial and business matters to evaluate the merits and risks of investing in the Notes as well as access to, and knowledge of, appropriate analytical tools to evaluate such merits and risks in the context of their financial situation. The Notes are not an appropriate investment for investors who are unsophisticated. Investors should also have sufficient financial resources to bear the risks of an investment in the Notes.*

*Investors should consult with their own legal, regulatory, tax, business, investment, financial and/or accounting advisers to the extent that they deem it necessary, and make their own investment, hedging and trading decisions (including decisions regarding the suitability of this investment) based upon their own judgement and upon advice from such advisers as they deem necessary and not upon any view expressed by the Dealer, the Issuer, the Guarantor or any of its affiliates.*

*None of the Issuer, Guarantor or the Dealer makes any representation as to the existence of a market for the Notes.*

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## **RISK FACTORS**

The Notes are risky investments. An investment in the Notes carries substantial risk and is suitable only for persons who can assume such risk. This section describes the principal risks relating to the Notes. Prospective investors should read and consider the following information about these risks, together with the other information in this Document before investing in the Notes.

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Notes. Most of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

The Issuer believes that the factors described below represent the principal risks inherent in investing in the Notes, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with the Notes may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate.

### **FUNDAMENTAL RISKS OF THE POTENTIAL LOSS OF INVESTMENT AND POTENTIAL LACK OF SUITABILITY IN RELATION TO A PURCHASE OF THE NOTES**

#### **Purchasers of the Notes may receive back less than the original invested amount**

Purchasers of the Notes may lose up to the entire value of their investment in the Notes as a result of the occurrence of any one or more of the following events:

- (a) the Issuer goes bankrupt or is otherwise unable to pay interest or the redemption amount under the Notes; or
- (b) the purchaser seeks to sell the Notes prior to their scheduled maturity, and the sale price of the Notes in the secondary market is less than the purchaser's initial investment.

The obligations of the Issuer are not secured.

#### **The Notes may not be a suitable investment for all investors**

Each potential purchaser of the Notes must determine the suitability of such investment in light of the investor's own circumstances. In particular, each potential purchaser should:

- (a) have sufficient knowledge and experience (if necessary, in consultation with the investor's own legal, tax, accountancy, regulatory, investment or other professional advisers) to evaluate the Notes, the merits and risks of investing in the Notes, all information contained or incorporated by reference into this Document;
- (b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of the investor's particular financial situation, an investment in the Notes and the impact the Notes will have on the investor's overall investment portfolio;
- (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the settlement currency is different from the currency in which such investor's principal financial activities are principally denominated;
- (d) understand thoroughly (if necessary, in consultation with the investor's own legal, tax, accountancy, regulatory, investment or other professional advisers) the terms of the Notes and be familiar with any relevant financial markets;
- (e) understand thoroughly (if necessary, in consultation with the investor's own legal, tax, accountancy, regulatory, investment or other professional advisers) the nature of rates of interest and how the performance thereof may affect the pay-out and value of the Notes; and
- (f) be able to evaluate (either alone or with the help of a financial adviser and/or other professional adviser) possible scenarios for economic, interest rate and other factors that may affect the investment and the investor's ability to bear the applicable risks.

None of the Issuer, the Guarantor or the Dealer has given, or will give, to any potential purchaser of the Notes (either directly or indirectly) any assurance or guarantee as to the merits, performance or suitability of the Notes, and the purchaser should be aware that the Issuer is acting as an arm's-length contractual counterparty and not as an advisor or fiduciary.

## **RISK FACTORS RELATING TO THE NOTES**

### **The Issue Price of the Notes may be more than the market value of the Notes as at the Issue Date and the price of the Notes in secondary market transactions**

The Issue Price in respect of the Notes may be more than the market value of the Notes as at the Issue Date and the date hereof, and more than the price, if any, at which the Dealer or any other person is willing to purchase the Notes in secondary market transactions. In particular, the Issue Price in respect of the Notes may take into account amounts with respect to commissions relating to the issue and sale of the Notes and amounts relating to the hedging of the Issuer's obligations under the Notes.

### **The market value of the Notes at any time is dependent on interest rates generally and the interest amounts payable on the Notes and the market value of the Notes is dependent on the performance of the underlying annual swap rate for EUR swap transactions with a maturity of ten years.**

The absolute level of interest rates and the shape of the yield curve will not only affect the interest amount payable on each Interest Payment Date but will very likely also affect the market value of the Notes.

The Notes represent an investment linked to the economic performance of the underlying annual swap rate for EUR swap transactions with a maturity of ten years and potential purchasers should note that the interest amount payable on the Notes will depend upon the performance of such underlying annual swap rate. Potential purchasers should not purchase the Notes if they do not fully understand how the performance of such underlying annual swap rate may affect the interest amount payable on the Notes and value of the Notes.

As the interest amount payable in respect of the Notes is linked to the performance of such underlying annual swap rate, a purchaser of such a Note must generally make correct predictions as to the direction, timing and magnitude of an anticipated change in the value of such underlying annual swap rate. However, it is impossible to make such predictions with any degree of certainty, and potential purchasers of the Notes must be aware that the historical performance of such underlying annual swap rate should not be taken as an indication of future performance of such underlying annual swap rate during the term of the Notes.

### **The market value of the Notes may be highly volatile**

The Noteholders are exposed to the performance of the underlying annual swap rate for EUR swap transactions with a maturity of ten years. The performance of such underlying annual swap rate may be subject to sudden and large unpredictable changes over time and this degree of change is known as "volatility". The volatility of such underlying annual swap rate may be affected by national and international financial, political, military or economic events, including governmental actions, or by the activities of participants in the relevant markets. Any of these events or activities could adversely affect the value of the Notes.

### **The market value of the Notes at any time is dependent on other matters in addition to the credit risk of the Issuer and the performance of the underlying annual swap rate for EUR swap transactions with a maturity of ten years**

The market value of the Notes at any time will be affected by a number of factors independent of the creditworthiness of the Issuer and the performance of the underlying annual swap rate for EUR swap transactions with a maturity of ten years, including:

- (a) market interest, exchange rates, interest rates and yield rates;
- (b) the time remaining to the Maturity Date; and

- (c) numerous other economic, political and other factors.

Before selling the Notes, Noteholders should carefully consider, among other things, (i) the trading price of the Notes, (ii) the value and volatility of such underlying annual swap rate, (iii) any changes in interim interest rates, and (iv) any changes in currency exchange rates.

**An active trading market for the Notes is not likely to develop**

Unless otherwise communicated by the Issuer to the purchaser of the Notes, or to the extent that the rules of any stock exchange on which the Notes are admitted to trading and listed require the Issuer to provide liquidity in respect of the Notes, the Notes may have no liquidity or the market for the Notes may be limited and this may adversely impact their value or the ability of the purchaser of the Notes to dispose of them. Subject to the rules of any relevant stock exchange, the Issuer may seek in its sole discretion the delisting of the Notes without notice to the Noteholders.

A secondary market is unlikely to develop and, even if a secondary market does develop, it is not possible to predict the price at which the Notes will trade in such secondary market. The Issuer is not under any obligation and makes no commitment to make a market in or to repurchase the Notes. If the Issuer does make a market for the Notes, it may cease to do so at any time without notice.

**There may be price discrepancies with respect to the Notes as between various dealers or other purchasers in the secondary market**

If at any time a third party dealer quotes a price to purchase Notes or otherwise values Notes, that price may be significantly different (higher or lower) from any price quoted by any Nomura Group affiliate. Furthermore, if any Noteholder sells its Notes, the Noteholder will likely be charged a commission for secondary market transactions, or the price may reflect a dealer discount.

**Notes may be redeemed prior to their scheduled final maturity**

Notes may be redeemed prior to the scheduled maturity for any of the following reasons:

- (a) the Issuer determines that a change in applicable law or regulation occurs that results in the Issuer being required to be regulated by any additional jurisdiction or regulatory authority, or being subject to any additional legal requirement or regulation considered by the Issuer to be materially onerous to it (see Condition 9(e) (*Redemption upon a Regulatory Event*));
- (b) the occurrence of certain taxation events (see Condition 9(b) (*Redemption for Tax Reasons*));  
or
- (c) following an Event of Default (see Condition 12 (*Events of Default and Enforcement relating to Notes*)).

**Notes may be amended without the consent of the Noteholders or with the consent of only some of the Noteholders binding all of the Noteholders**

The Conditions may be amended by the Issuer without the consent of the Noteholders or Couponholders if the amendment:

- (a) is not materially prejudicial to the interests of the Noteholders (without considering the individual circumstances of any holders of the Notes or the tax or other consequences of such adjustment in any particular jurisdiction); or
- (b) is of a formal, minor or technical nature; or
- (c) is made to cure a manifest or proven error; or
- (d) is made to comply with mandatory provisions of any applicable laws.

In addition, other changes may be made to the Conditions with the consent of the Noteholders. In order to make such changes, the Issuer requires the consent of not less than 75 per cent. of Noteholders present at the duly quorate meeting. Any dissenting Noteholders will be bound by such changes.

Therefore the Issuer may be able to make a change which certain Noteholders have voted against if at least 75 per cent. of the Noteholders at the duly quorate meeting have approved the change.

**The Issuer may be substituted without the consent of the Noteholders**

The Issuer may be substituted as obligor under such Notes in favour of any company from the Nomura Group and its consolidated subsidiaries. Whilst the new issuer will provide an indemnity in favour of the Noteholders in relation to any additional tax or duties that become payable solely as a result of such substitution, Noteholders will not have the right to object to such substitution. See Condition 20 (*Substitution*).

**RISK FACTORS RELATING TO THE GUARANTOR'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER THE GUARANTEE**

The Notes are guaranteed on an unsubordinated basis by the Guarantor pursuant to the Guarantee. Therefore, if the Guarantor's financial condition were to deteriorate, the Issuer and investors in the Notes may suffer direct and materially adverse consequences. Accordingly, prospective investors in the Notes should review, *inter alia*, the factors below in respect of the Guarantor's ability to fulfil its obligations under the Guarantee.

The Guarantor is a holding company for the Nomura Group. The Guarantor's ability to fulfil its obligations under the Guarantee may therefore be affected by certain factors as set out in the section entitled "Risks relating to the Nomura Group" below, which may affect the Guarantor directly or other entities within the Nomura Group.

**RISK FACTORS RELATING TO THE ISSUER**

Please refer to the risk factors set forth under "Risk Factors" in the NBI Registration Document.

**RISK FACTORS RELATING TO THE NOMURA GROUP**

In this Document, the term "Nomura Group" describes the Guarantor (or "NHI") and its consolidated subsidiaries, including the Issuer, which is a wholly owned subsidiary of the Guarantor. Any factors which affect the financial condition and/or creditworthiness of the Guarantor may have a direct or indirect impact upon the financial condition and/or creditworthiness of other entities within the Nomura Group, including the Issuer. Accordingly, risks identified in this "Risk factors relating to the Nomura Group" section relating to NHI should, unless the context requires otherwise, be construed as potentially applying also to all other entities within the Nomura Group including, in particular, the Issuer.

**Recent financial and credit crises and recessionary economies around the world have had, and may continue to have, adverse effects on NHI's businesses, financial condition and results of operations.**

During 2008, particularly the second half of the year, the business environment was extremely adverse. Despite signs of recovery in the first half of 2009, the business environment remains extremely uncertain in the medium to long term. Starting in mid-2007 in the United States and Europe, and particularly during the second half of 2008, the financial services industry and global securities markets were materially and adversely affected by significant declines in the values of nearly all asset classes and by a serious lack of liquidity. This was initially triggered by declines in the values of subprime mortgages in the U.S. market, but spread to all mortgage and real estate asset classes, to leveraged loans and to nearly all asset classes, including equities. Although the markets have generally stabilized and improved over the course of 2009, the values of many asset classes have not returned to previous levels. Further, the markets have been facing new challenges arising out of concerns over certain sovereign risks and our business environment remains extremely uncertain in the medium to long term.

Market conditions have also led to the failure or merger of a number of prominent financial institutions, primarily in the United States. Financial institution failures or problems have resulted in further losses as a consequence of defaults on securities issued by them and defaults on derivatives and other contracts entered into with such entities. The geographic reach of such consequences has extended globally. In addition, the United States, large parts of Europe and Japan have experienced a significant downturn in their economies as a whole. Business activity across a wide range of industries and regions



continues to be significantly reduced and many companies continue to be in serious difficulty due to the lack of demand for their products or services, primarily due to significantly reduced consumer spending, lack of liquidity in the credit markets and high unemployment rates. Any failure to achieve desired results from the recent government aid or stimulus programmes around the world, or any phase-out or termination of such programs, could further adversely affect NHI's business environment.

In response to these challenges in the business environment, NHI has been implementing several strategic initiatives. NHI is seeking to expand its client base, focusing on growing market share in client-driven flow businesses and continuing to review and reduce asset size through targeted disposition of assets not suited to NHI's business focus. NHI is implementing cost reduction through selective downsizing with a concentration on core businesses in the short-term, as well as reengineering NHI's business processes in the longer-term. There can be no assurance, however, that NHI will be able to carry out any of these strategic initiatives or that, even if they are carried out, they will have the intended effect or will be effective in addressing the difficulties NHI has or may have under the current business environment. Also, there can be no assurance that the economic environment will not worsen in the future (as exemplified by the Greek debt crisis that manifested in the first half of calendar year 2010, adversely affecting the credibility of the euro currency and fostering financial doubts with regards to other countries), in which case NHI's financial condition and results of operations may be materially and adversely affected.

#### **Market fluctuations could harm NHI's businesses**

NHI's businesses are materially affected by conditions in the financial markets and economic conditions in Japan and elsewhere around the world. Market downturns can occur not only as a result of purely economic factors, but also as a result of war, acts of terrorism, international tensions, natural disasters or other similar events. A sustained market downturn can adversely affect NHI's business and can result in substantial losses. Even in the absence of a prolonged market downturn, NHI may incur substantial losses due to market volatility or governmental fiscal and monetary policy changes in Japan and other jurisdictions where NHI conducts business.

#### **NHI's brokerage and asset management revenues may decline**

A market downturn could result in a decline in the revenues concerning NHI's intermediary business because of a decline in the volume and value of securities that NHI broker for NHI's clients. Also, with regard to NHI's asset management business, in most cases, NHI charge fees for managing NHI's clients' portfolios that are based on the value of their portfolios. A market downturn that reduces the value of NHI's clients' portfolios, increases the amount of withdrawals or reduces the amount of new investments in these portfolios would reduce the revenue NHI receives from NHI's asset management businesses.

#### **NHI's investment banking revenues may decline**

Unfavourable financial or economic conditions would likely reduce the number and size of transactions for which NHI provide securities underwriting, financial advisory and other investment banking services. NHI's investment banking revenues, which include fees from these services, are directly related to the number and size of the transactions in which NHI participate and would therefore decrease if there is a sustained market downturn.

#### **NHI may incur significant losses from NHI's trading and investment activities**

NHI maintain large trading and investment positions in the fixed income, equity and other markets, both for NHI's own account and for the purpose of facilitating NHI's clients' trades. NHI's positions consist of various types of assets, including financial derivatives transactions in equity, interest rate, currency, credit, commodity and other markets, as well as in loans and real estate. Fluctuations in the markets where these assets are traded can adversely affect the value of these assets. To the extent that NHI owns assets, or have long positions, a market downturn could result in losses if the value of these long positions decreases. Furthermore, to the extent that NHI has sold assets that NHI does not own, or have short positions, an upturn in the prices of the assets could expose NHI to potentially significant losses. Although NHI has worked to mitigate these position risks with a variety of hedging techniques, these market movements could result in losses. NHI can incur losses if the markets move in a way NHI has not anticipated as a result of specific events such as the Russian economic crisis in 1998 and

the global financial and credit crisis in the autumn of 2008. Also, NHI may face losses if the level of volatility of the markets where the foregoing assets are traded differs from NHI's expectation, which may occur particularly in the emerging markets.

NHI's businesses have been and may continue to be affected by changes in market volatility levels. Certain of NHI's trading businesses depend on market volatility to provide trading and arbitrage opportunities, and decreases in volatility may reduce these opportunities and adversely affect the results of these businesses. On the other hand, increased volatility, while it can increase trading volumes and spreads, also increases risk as measured by value at risk, or "VaR", and may expose NHI to increased risks in connection with NHI's market-making and proprietary businesses or cause NHI to reduce the size of these businesses in order to avoid increasing NHI's VaR. Furthermore, NHI commits capital to take relatively large positions for underwriting or warehousing assets to facilitate certain capital market transactions. Also, NHI structure and possess pilot funds for developing financial investment products and invest seed money to set up and support financial investment products. NHI may incur significant losses from these positions in the event of significant market fluctuations.

In addition, if NHI is the party providing collateral in a transaction, significant declines in the value of the collateral can increase NHI's costs and reduce NHI's profitability; and if NHI is the party receiving collateral, such declines can reduce NHI's profitability by reducing the level of business done with NHI's clients and counterparties.

#### **Holding large and concentrated positions of securities and other assets may expose NHI to large losses**

Holding a large amount of securities concentrated in specific assets can increase NHI's risks and expose NHI to large losses in NHI's businesses such as market-making, block trading, underwriting, asset securitisation and acquiring newly issued convertible bonds through third-party allotment. NHI has committed substantial amounts of capital to these businesses. This often requires NHI to take large positions in the securities of a particular issuer or issuers in a particular industry, country or region. In addition, NHI may incur substantial losses due to market fluctuations on asset-backed securities such as commercial mortgage-backed securities.

#### **Extended market declines can reduce liquidity and lead to material losses**

Extended market declines can reduce the level of market activity and the liquidity of the assets traded in the market. If NHI cannot properly close out its associated positions, particularly with respect to over-the-counter derivatives, NHI may incur substantial losses due to the difficulty of monitoring prices in a less liquid market.

#### **NHI's hedging strategies may not prevent losses**

NHI uses a variety of instruments and strategies to hedge NHI's exposure to various types of risk. If NHI's hedging strategies are not effective, NHI may incur losses. NHI bases many of NHI's hedging strategies on historical trading patterns and correlations. For example, if NHI holds an asset, NHI may hedge this position by taking another asset which has, historically, moved in a direction that would offset a change in value of the former asset. However, historical trading patterns and correlations may not continue, as seen in the case of the global financial and credit crisis in the autumn of 2008, and these hedging strategies may not be fully effective in mitigating NHI's risk exposure because NHI is exposed to all types of risk in a variety of market environments.

#### **NHI's risk management policies and procedures may not be fully effective in managing market risk**

NHI's policies and procedures to identify, monitor and manage risks may not be fully effective. Some of NHI's methods of managing risk are based upon observed historical market behaviour. This historical market behaviour may not continue in future periods. As a result, NHI may suffer large losses by being unable to predict future risk exposures that could be significantly greater than the historical measures indicate. Other risk management methods that NHI uses also rely on NHI's evaluation of information regarding markets, clients or other matters, which is publicly available or otherwise accessible by NHI. This information may not be accurate, complete, up-to-date or properly evaluated, in which case NHI may be unable to properly assess its risks, and thereby suffer large losses. Furthermore, certain factors, such as market volatility, may render NHI's risk evaluation model

unsuitable for the new market environment. In such event, NHI may become unable to evaluate or otherwise manage its risks adequately.

**Market risk may increase other risks that NHI faces**

In addition to the potentially adverse effects on NHI's businesses described above, market risk could exacerbate other risks that NHI faces. For example, the risks associated with new products developed through financial engineering/innovation may be increased by market risk.

Also, if NHI incurs substantial trading losses caused by NHI's exposure to market risk, NHI's need for liquidity could rise sharply while NHI's access to cash may be impaired as a result of market perception of NHI's credit risk. Furthermore, in a market downturn, NHI's clients and counterparties could incur substantial losses of their own, thereby weakening their financial condition and, as a result, increasing NHI's credit risk exposure to them.

**NHI may have to recognise impairment charges with regard to the amount of goodwill and intangible assets recorded on NHI's consolidated balance sheets**

NHI has purchased all or a part of the equity interests in, or certain operations from, certain other companies in order to pursue its business expansion, and expect to continue to do so when and as NHI deems appropriate. NHI accounts for each of those and similar purchases and acquisitions in conformity with U.S. GAAP, as a business combination, and allocates its acquisition costs to the assets acquired and liabilities assumed, and record the remaining amount as goodwill.

NHI may have to record impairment charges with regard to the amount of goodwill and intangible assets. Any impairment charges for goodwill or intangible assets NHI recognise, if recorded, may adversely affect NHI's results of operations and financial condition.

**Liquidity risk could impair NHI's ability to fund operations and jeopardise NHI's financial condition**

Liquidity, or having ready access to cash, is essential to NHI's businesses. In addition to maintaining a readily available cash position, NHI seek to enhance NHI's liquidity through repurchase and securities lending transactions, access to long-term debt, issuance of long-term bonds, diversification of NHI's short-term funding sources such as commercial paper, and by holding a portfolio of highly liquid assets. NHI bears the risk that NHI may lose liquidity under certain circumstances, including but not limited to the following:

*NHI may be unable to access the debt capital markets*

NHI depends on continuous access to the short-term credit markets and the debt capital markets to finance NHI's day-to-day operations. An inability to raise money in the long-term or short-term debt markets, or to engage in repurchase agreements and securities lending, could have a substantial negative effect on NHI's liquidity. For example, lenders could refuse to extend the credit necessary for NHI to conduct business based on their assessment of NHI's long-term or short-term financial prospects if:

- NHI incurs large trading losses,
- the level of NHI's business activity decreases due to a market downturn, or
- regulatory authorities take significant action against NHI.

In addition to the above, NHI's ability to borrow in the debt markets could also be impaired by factors that are not specific to it, such as increases in banks' nonperforming loans which reduce their lending capacity, a severe disruption of the financial and credit markets which, among others, can lead to widening credit spreads and thereby increase NHI's borrowing costs, or negative views about the general prospects for the investment banking, brokerage or financial services industries generally.

*NHI may be unable to access the short-term debt markets*

NHI depends primarily on the issuance of commercial paper and short-term bank loans as a principal source of unsecured short-term funding of NHI's operations. NHI's liquidity depends largely on NHI's ability to refinance these borrowings on a continuous basis. Investors who hold NHI's outstanding commercial paper and other short-term debt instruments have no obligation to provide refinancing when the outstanding instruments mature. NHI may be unable to obtain short-term financing from banks to make up any shortfall.

*NHI may be unable to sell assets*

If NHI is unable to borrow in the debt capital markets or if NHI's cash balances decline significantly, NHI will need to liquidate NHI's assets or take other actions in order to meet NHI's maturing liabilities. In volatile or uncertain market environments, overall market liquidity may decline. In a time of reduced market liquidity, NHI may be unable to sell some of NHI's assets, which may adversely affect NHI's liquidity or NHI may have to sell assets at depressed prices, which could adversely affect NHI's results of operations and financial condition. NHI's ability to sell NHI's assets may be impaired by other market participants seeking to sell similar assets into the market at the same time.

*Lowering of NHI's credit ratings could increase NHI's borrowing costs*

NHI's borrowing costs and NHI's access to the debt capital markets depend significantly on NHI's credit ratings. Rating agencies may reduce or withdraw their ratings or place NHI on "credit watch" with negative implications. This could increase NHI's borrowing costs and limit NHI's access to the capital markets. This, in turn, could reduce NHI's earnings and adversely affect NHI's liquidity.

Further, other factors which are not specific to NHI may increase its funding cost, such as negative market perception of Japanese fiscal soundness.

**Event risk may cause losses in NHI's trading and investment assets as well as market and liquidity risk**

Event risk refers to potential losses in value NHI may suffer through unpredictable events that cause large unexpected market price movements. These include not only the events such as the Russian economic crisis in 1998, the terrorist attacks in the United States on 11 September 2001, U.S. subprime issues since 2007 and the global financial and credit crisis in the autumn of 2008, in each case, adversely affecting NHI's business, but also more generally the following types of events that could cause losses on NHI's trading and investment assets:

- sudden and significant reductions in credit ratings with regard to NHI's trading and investment assets by rating agencies that have significant presence and influence on the market,
- sudden changes in trading, tax, accounting, laws and other related rules which may make NHI's trading strategy obsolete, less competitive or not workable, or
- an unexpected failure in a corporate transaction in which NHI participates resulting in NHI not receiving the consideration it should have received, as well as bankruptcy, deliberate acts of fraud, and criminal prosecution with respect to the issuers of NHI's trading and investment assets.

**Losses caused by financial or other problems of third parties may expose NHI to credit risk**

NHI's counterparties are from time to time indebted to NHI as a result of transactions or contracts, including loans, commitments to lend, other contingent liabilities, and derivatives transactions such as swaps and options.

NHI may incur material losses when NHI's counterparties default on their obligations to NHI due to bankruptcy, deterioration in their creditworthiness, lack of liquidity, operational failure, an economic or political event, or other reasons. This risk may arise from:

- the decline of prices of securities issued by third parties, or
- the execution of securities, futures, currency or derivative trades that fail to settle at the required time due to default by the counterparty, such as monoline insurers (financial

guarantors) which are counterparties in credit default swap contracts, or systems failure by clearing agents, exchanges, clearing houses or other financial intermediaries.

Problems related to third party credit risk may include the following:

*Defaults by a large financial institution could adversely affect the financial markets generally and NHI specifically*

The commercial soundness of many financial institutions is closely interrelated as a result of credit, trading, clearing or other relationships among the institutions. As a result, concern about the credit standing of, or a default by, one institution could lead to significant liquidity problems or losses in, or defaults by, other institutions. This may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges, with which NHI interacts on a daily basis. Actual defaults, increases in perceived default risk and other similar events could arise in the future and could have an adverse effect on the financial markets and on NHI. NHI's finance operations may be damaged if major financial institutions, Japanese or otherwise, fail or experience severe liquidity or solvency problems.

*There can be no assurance as to the accuracy of the information about, or the sufficiency of the collateral NHI uses in managing, NHI's credit risk*

NHI regularly reviews its credit exposure to specific clients or counterparties and to specific countries and regions that NHI believes may present credit concerns. Default risk, however, may arise from events or circumstances that are difficult to detect, such as fraud. NHI may also fail to receive full information with respect to the risks of a counterparty. In addition, in cases where NHI has extended credit against collateral, NHI may fall into a deficiency in value in the collateral. For example, if sudden declines in market values reduce the value of NHI's collateral, NHI may become under-secured.

*NHI's clients and counterparties may be unable to perform their obligations to NHI as a result of political or economic conditions*

Country, regional and political risks are components of credit risk, as well as market risk. Political or economic pressures in a country or region, including those arising from local market disruptions or currency crises, may adversely affect the ability of clients or counterparties located in that country or region to obtain credit or foreign exchange, and therefore to perform their obligations owed to NHI.

### **The financial services industry is intensely competitive and rapidly consolidating**

NHI's businesses are intensely competitive, and NHI expects them to remain so. NHI competes on the basis of a number of factors, including transaction execution, NHI's products and services, innovation, reputation and price. In recent years, NHI has experienced intense price competition, particularly in brokerage, investment banking and other businesses.

### **Competition with commercial banks, commercial bank-owned securities subsidiaries and non-Japanese firms in the Japanese market is increasing**

Since the late 1990s, the financial services sector in Japan has been undergoing deregulation. Banks and other types of financial services firms can compete with NHI to a greater degree than they could before deregulation in the areas of financing and investment trusts. Among others, securities subsidiaries of commercial banks and non-Japanese firms have been affecting NHI's market shares in the underwriting business, corporate advisory services in connection with M&A, and retail business.

### **Increased domestic and global consolidation in the financial services industry means increased competition for NHI**

In recent years, there has been substantial consolidation and convergence among companies in the financial services industry. In particular, a number of large commercial banks, insurance companies and other broad-based financial services firms have established or acquired broker-dealers or have merged with other financial institutions in Japan and overseas. Particularly in Japan, a number of securities companies have allied with or been acquired by commercial banks, and non-Japanese commercial banks are enhancing their securities subsidiaries in Japan. Most of NHI's major Japanese competitors are now owned by, or allied with, bank holding groups. Through such business alliances

and consolidations, these other securities companies and commercial banks have the ability to offer a wide range of products, including loans, deposit-taking, insurance, brokerage, asset management and investment banking services within their group. This diversity of services offered may enhance their competitive position compared with NHI. They also have the ability to supplement their investment banking and brokerage businesses with commercial banking, insurance and other financial services revenues in an effort to gain market share. NHI's policy to remain independent from commercial banks may result in the loss of market share as these large, consolidated firms expand their business.

**NHI's ability to expand internationally will depend on NHI's ability to compete successfully with financial services firms in international markets**

NHI believes that significant opportunities and challenges will arise for NHI outside of Japan. In order to take advantage of these opportunities, NHI will have to compete successfully with financial services firms based in important non-Japanese markets, including the United States, Europe and Asia. Some of these financial services firms are larger, better capitalised and have a stronger local presence and a longer operating history in these markets. As a means to bolster NHI's international operations, NHI acquired certain Lehman operations, including some of the Lehman employees in Europe and the Middle East and a majority of the Lehman employees in Asia, as well as certain specialized service companies in India in 2008. There can be no assurance, however, that NHI will successfully achieve the targeted synergies or other intended benefits from the acquisition of former Lehman operations as contemplated. In addition, NHI is currently rebuilding its operations in the United States. In particular, NHI is increasing headcount to service client-related businesses, including cross-border transactions such as sales in Europe or Asia of products originated in the United States and vice versa. NHI believes that U.S. build-out will be important to its global success due to continued global demand for U.S. products, and failure to expand and strengthen its operations in the United States may materially and adversely affect its global strategy.

**Operational risk may disrupt NHI's businesses, result in regulatory action against NHI or limit NHI's growth**

NHI faces, for example the following types of operational risk which could result in financial losses, disruption in NHI's business, litigation from relevant parties, intervention in NHI's business by the regulatory authorities, or damage to NHI's reputation:

- failure to settle securities transactions;
- failure by officers or employees to perform proper administrative activities prescribed in regular procedures, such as orders to securities exchanges;
- suspension or malfunction of systems;
- the destruction of NHI's facilities or systems due to large-scale disasters or acts of terrorism, which are beyond anticipation and could not be covered by NHI's contingency plan; or
- the disruption of NHI's business due to pandemic diseases or illnesses, such as avian influenza and swine flu.

**NHI's business is subject to substantial legal, regulatory and reputational risks**

Substantial legal liability or a significant regulatory action against NHI could have a material financial effect or cause reputational harm to NHI, which in turn could seriously damage NHI's business prospects. Also, material changes in regulations applicable to NHI or to NHI's market could adversely affect NHI's business.

**NHI's exposure to legal liability is significant**

NHI faces significant legal risks in NHI's businesses. These risks include liability under securities or other laws in connection with securities underwriting and offering transactions, liability arising from the purchase or sale of any securities or other products, disputes over the terms and conditions of complex trading arrangements or the validity of contracts for transactions with NHI and legal claims concerning NHI's financial advisory and merchant banking business.

During a prolonged market downturn, NHI would expect claims against it to increase. NHI may also face significant litigation. The cost of defending such litigation may be substantial and NHI's involvement in litigation may damage NHI's reputation. In addition, even legal transactions might be subject to social criticism according to the particulars or situations of such transactions. These risks may be difficult to assess or quantify and their existence and magnitude may remain unknown for substantial periods of time.

**Extensive regulation of NHI's businesses limits NHI's activities and may subject NHI to significant penalties and losses**

The financial services industry is subject to extensive regulation. NHI is subject to regulation by governmental and self regulatory organisations in Japan and in virtually all other jurisdictions in which NHI operates, and such governmental and regulatory scrutiny may increase as its operations expand. These regulations are designed to ensure the integrity of the financial markets and to protect clients and other third parties who deal with NHI. These regulations are not necessarily designed to protect NHI's shareholders and often limit NHI's activities, through net capital, client protection and market conduct requirements. NHI faces the risk that regulatory authorities may intervene in NHI's businesses through extended investigation and surveillance activity, adoption of costly or restrictive new regulations or judicial or administrative proceedings that may result in substantial penalties. NHI could be fined, prohibited from engaging in some of NHI's business activities, ordered to improve NHI's internal governance procedures, or be subject to the temporary or long-term suspension or revocation of NHI's legal authorisation to conduct business. NHI's reputation could also suffer from the adverse publicity that any administrative or judicial sanction against NHI may create. As a result of any such sanction, NHI may lose business opportunities for a period of time, even after the sanction is lifted, if and to the extent that NHI's clients, especially public institutions, decide not to engage NHI for their financial transactions.

**Material changes in regulations applicable to NHI or its market could adversely affect its business.**

If regulations that apply to NHI's businesses are introduced, modified or removed, NHI could be adversely affected directly or through resulting changes in market conditions. For example, in accordance with the amendments to the Financial Instruments and Exchange Act (the "FIEA") effective 1 December 2004, banks and certain other financial institutions became able to act as agents of securities companies in the securities brokerage business. In addition, in accordance with the amendments to the FIEA effective from 1 June 2009, firewalls between commercial banks and securities firms were partially deregulated. Therefore, NHI may face increased competition as its competitors will be able to cooperate more closely with their affiliated commercial banks.

NHI currently calculates and discloses its consolidated capital adequacy ratio by applying the Basel II based Japanese Financial Services Agency's (the "Japanese FSA") capital adequacy rules applicable to bank holding companies with international operations, as allowed under the guideline published by the Japanese FSA. In December 2009, the Basel Committee announced consultative proposals to strengthen the resilience of the banking sector, laying out a new framework of capital and liquidity regulations in response to the global financial crisis. Also in September 2010, the Basel Committee disclosed a substantial strengthening of existing capital requirements, announcing that the fully calibrated set of standards will be developed by the end of 2010. Although specific rules implementing such measures designed to incorporate Basel III as well as the Japanese FSA's rules implementing such measures in Japan are yet to be finalised, as a result of the implementation of those new measures, NHI's capital adequacy ratio may decrease or NHI may be required to liquidate assets, raise additional capital or otherwise restrict its business activities in a manner that could adversely increase its funding costs or could otherwise adversely affect its operating or financing activities or the interests of NHI's shareholders.

The Japanese FSA amended the "Comprehensive Guidelines for Supervision of the Financial Instruments Business Operators, etc." which became effective on 4 March 2010. Such amendment includes, among others, restrictions on the compensation systems of corporate groups of financial instruments firms engaging in international operations, including Nomura Group, which are designed to reduce excessive risk taking by their executives and employees. In addition, to improve the stability and transparency of Japan's financial system and to ensure the protection of investors, another bill to amend the FIEA was passed by the Diet on 12 May 2010. The amendment is scheduled to become

effective within one year, and is intended to strengthen group-wide regulation and supervision by introducing consolidated supervision of securities companies the size of which exceeds specified parameters. For more information about such amendments, see "*Regulation—Japan*" under Item 4.B. of NHI's Form 20-F for the year ended 31 March 2010.

In addition, in response to the financial markets crisis, governments and regulatory authorities in various jurisdictions, such as the U.S. and the U.K., have made and continue to make numerous proposals to reform the regulatory framework for, or impose a tax or levy upon, the financial services industry to enhance its resilience against future crises, contribute to the relevant economy generally or for other purposes. For example, in July 2010, the U.S. enacted the Dodd-Frank Act. The Dodd-Frank Act, among others, would: (i) restrict banks' proprietary trading as well as investments in hedge funds and private equity funds; (ii) empower regulators to liquidate failing financial companies; (iii) provide for a broader regulatory oversight of hedge funds and credit rating agencies; (iv) and create a tight new regulatory framework for derivatives. In December 2010, the Chancellor of the Exchequer in the U.K. announced to introduce a levy on the total liabilities of U.K. banks, which would include the U.K. entities of non-U.K. banks and banking groups. This is in line with initiatives on national bank levies recently taken by the Council of European Union and relates more broadly to a proposal regarding new taxes on financial institutions submitted to the governments of G-20 by the International Monetary Fund. The impact of the regulations and legislation on NHI and its industry is still unknown and various countries in which NHI operates (including Japan) could introduce similar measures. Tightening of regulations or introduction of a new tax or levy applicable to NHI and its industry in many countries could adversely affect NHI's business, financial condition and operating results.

**Deferred tax assets may be reviewed due to a change in laws and regulations, resulting in an adverse affect on our operating result and financial condition.**

NHI recognises deferred tax assets on the consolidated balance sheet as a possible benefit of tax relief in the future. If there is a tax reform such as a reduction of corporate tax rate or a change in accounting standards in the future, NHI may reduce the deferred tax assets in its consolidated balance sheet. As a result, it could adversely affect NHI's operating result and financial condition.

**Misconduct or fraud by an employee, director or officer, or any third party, could occur, and NHI's reputation in the market and its relationships with clients could be harmed.**

NHI faces the risk that misconduct by an employee, director or officer, or any third party, could occur which may adversely affect its business. Misconduct by an employee, director or officer can include, for example, entering into transactions in excess of authorised limits, acceptance of risks that exceed NHI's specified limits, or concealment of unauthorised or unsuccessful activities. The misconduct could also involve, for example, the improper use or disclosure of confidential information relating to NHI or its clients, such as insider trading, which could result in regulatory sanctions, legal liability and serious reputational or financial damage to NHI. NHI may not always be able to detect or deter misconduct by an employee, director or officer and the precautions it takes to detect and prevent misconduct may not be effective in all cases. If any administrative or judicial sanction is issued against NHI as a result of such misconduct, it may lose business opportunities for a period of time, even after the sanction is lifted, if and to the extent that its clients, especially public institutions, decide not to engage NHI for their financial transactions.

Third parties may also engage in fraudulent activities, including devising a fraudulent scheme by which to induce investments, loans, guarantees or any other form of financial commitment by NHI, both direct and indirect. Because of the broad range of businesses that NHI engages in and the large number of third parties with whom NHI deals in its day-to-day business operations, such fraud or any other misconduct may be difficult to prevent or detect. NHI may not be able to recover the financial losses caused by such activities and its reputation may also be damaged by such activities.

**Unauthorised disclosure of personal information held by us may adversely affect our business**

NHI keeps and manages personal information obtained from clients in connection with its business. In recent years, there have been many reported cases of personal information and records in the possession of corporations and institutions being improperly accessed or disclosed. NHI may have to provide compensation for economic loss and emotional distress arising out of a failure to protect such



information in accordance with the Japanese Act on the Protection of Personal Information and the rules, regulations and guidelines relating thereto.

Although NHI exercises care in protecting the confidentiality of personal information and takes steps to safeguard such information, if any material unauthorized disclosure of personal information does occur, NHI's business could be adversely affected in a number of ways. For example, NHI could be subject to complaints and lawsuits for damages from clients if they are adversely affected as a result of the release of their personal information. In addition, NHI could incur additional expenses associated with changing its security systems, either voluntarily or in response to administrative guidance or other regulatory initiatives, or in connection with public relations campaigns designed to prevent or mitigate damage to its corporate or brand image or reputation. Any damage to its reputation caused by such unauthorized disclosure could lead to a decline in new clients and/or a loss of existing clients, as well as to increased costs and expenses in dealing with any such problems.

**NHI is a holding company and depends on payments from NHI's subsidiaries**

NHI depends on dividends, distributions and other payments from NHI's subsidiaries to fund dividend payments and to fund all payments on NHI's obligations, including debt and other obligations. Regulatory and other legal restrictions may limit NHI's ability to transfer funds freely, either to or from NHI's subsidiaries. In particular, many of NHI's subsidiaries, including NHI's broker-dealer subsidiaries, are subject to laws and regulations that authorize regulatory bodies to block or reduce the flow of funds to the parent holding company, or that prohibit such transfers altogether in certain circumstances. These laws and regulations may hinder NHI's ability to access funds that NHI may need to make payments on NHI's obligations.

**NHI may not be able to realise gains it expects, and may even suffer losses, on NHI's private equity investments**

NHI engages in private equity business in and outside of Japan through fully owned subsidiaries and other consolidated entities which have third party pooling of funds. Decline of fair values of NHI's investment positions, which could arise from deteriorating business performance of investee companies, or any deterioration in the market conditions of these sectors, may cause material losses to NHI. Further, NHI's inability to dispose of its private equity investments at the level and time NHI may wish, could have a material impact on NHI's operating results and financial condition.

**NHI may not be able to dispose of its operating investments at the time or with the speed it would like**

NHI holds substantial operating investments, which refer to investments in equity securities of companies not affiliated with NHI which NHI hold on a long-term basis in order to promote existing and potential business relationships. A substantial portion of these investments consists of equity securities of public companies in Japan. Under U.S. GAAP, depending on market conditions, NHI may record significant unrealised gains or losses on their operating investments, which would have a substantial impact on their consolidated statements of operations. Depending on the conditions of the Japanese equity markets, NHI may not be able to dispose of these equity securities when NHI would like to do so, as quickly as NHI may wish or at the desired values.

**Equity investments in affiliates and other investees accounted for under the equity method in NHI's consolidated financial statements may decline significantly over a period of time and result in NHI incurring an impairment loss**

NHI has affiliates and investees, accounted for under the equity method in its consolidated financial statements, whose shares are publicly traded. Under U.S. GAAP, if there is a decline in the fair value, i.e., the market price, of the shares NHI holds in such affiliates over a period of time, and NHI determines that the decline is other-than-temporary, then NHI records an impairment loss for the applicable fiscal period.

**NHI may face an outflow of clients' assets due to losses of cash reserve funds or bonds NHI offered**

NHI offers many types of products to meet various needs of its clients with different risk profiles. Cash reserve funds, such as money management funds and money reserve funds are categorised as low-risk

products. Such cash reserve funds may fall below par value as a result of losses caused by the rise of interest rates or the withdrawals or defaults on bonds contained in the portfolio. In addition, bonds that NHI offers may default or experience delays in their obligation to pay interest and/or principal. Such losses in the products NHI offers may result in the loss of client confidence and lead to an outflow of client assets from its custody.

**It may not be possible for investors to effect service of process within the United States upon NHI or its directors or executive officers, or to enforce against NHI or those persons judgments obtained in United States courts predicated upon the civil liability provisions of the federal securities laws of the United States.**

NHI is a limited liability, joint-stock corporation incorporated under the laws of Japan. Most of its directors and executive officers reside in Japan. Many of its assets and the assets of these persons are located in Japan and elsewhere outside the United States. It may not be possible, therefore, for U.S. investors to effect service of process within the United States upon NHI or these persons or to enforce against NHI or these persons judgments obtained in the United States courts predicated upon the civil liability provisions of the federal securities laws of the United States. NHI believes that there is doubt as to the enforceability in Japan, in original actions or in actions for enforcement of judgment of U.S. courts, of liabilities predicated solely upon the federal securities laws of the United States.

#### **IMPORTANT**

**IF A PROSPECTIVE PURCHASER IS IN ANY DOUBT ABOUT THE CONTENTS OF THIS SECTION, OR THIS DOCUMENT AS A WHOLE, IT SHOULD CONSULT ITS FINANCIAL CONSULTANT, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER.**

### **DESCRIPTION OF THE ISSUER**

Please refer to the description of the Issuer set forth under "Description of the Issuer" in the NBI Registration Document.

The following statement on page 15 of the NBI Registration Document shall not form part of this Prospectus: "However, Nomura's credit spreads have tightened following 30 September 2010, which has resulted in an increase as at 31 October 2010 in the balance sheet values of the notes issued and a corresponding impact on profitability."

As of the date of this Document, the impact of the Nomura Group's own credit spreads on the Issuer's financial performance is in line with the publicly available unaudited non-consolidated half year report of the Issuer for the half year ended 30 September 2010 which is incorporated by reference in the NBI Registration Document.

## DESCRIPTION OF THE GUARANTOR

### INTRODUCTION

Nomura Holdings, Inc. ("**NHI**"), with Corporation Number 0100-01-034881, is a holding company of the largest securities group in Japan and one of the largest in the world.

NHI, formerly known as The Nomura Securities Co., Ltd., was incorporated in Japan on 25 December 1925 under the Commercial Code of Japan when the securities division of The Osaka Nomura Bank, Ltd. became a separate entity specialising in the trading and distribution of debt securities in Japan. The registered head office of NHI is located at 9-1, Nihonbashi 1-chome, Chuo-ku, Tokyo 103-8645, Japan, and the telephone number is +81-3-5255-1000. NHI's constitutional documents (i.e., Articles of Incorporation) in effect as at the date of this Document are dated 27 November 1925, as most recently amended on 6 January 2010. Further, NHI's commercial registration is up to date as at the date of this Document.

NHI's business purpose is, by means of holding shares, to control and manage the business activities of domestic companies which engage in the following businesses and the business activities of foreign companies which engage in the business equivalent to the following businesses: (1) financial instruments business prescribed in the Financial Instruments and Exchange Law; (2) banking business prescribed in the Banking Law and trust business prescribed in the Trust Business Law; and (3) any other financial services and any business incidental or related to such financial services. NHI may conduct any other business incidental to its business activities described in this paragraph.

### HISTORY

NHI was the first Japanese securities company to develop its business internationally with the opening in 1927 of a representative office in New York, which actively traded non-yen-denominated debt securities. In Japan, NHI broadened the scope of its business when it began trading in equity securities in 1938 and when it organised the first investment trust in Japan in 1941.

On 1 October 2001, NHI adopted a holding company structure and became a holding company for the Nomura Group of companies. In connection with this reorganisation, NHI changed its name from "The Nomura Securities Co., Ltd." to "Nomura Holdings, Inc." NHI continues to be listed on the Tokyo Stock Exchange, Inc. and other stock exchanges on which it was previously listed. A wholly-owned subsidiary of NHI assumed its securities business and is named "Nomura Securities Co., Ltd."

In December 2001, NHI was listed on the New York Stock Exchange.

NHI has also strengthened its mergers and acquisitions and other financial advisory businesses by acquiring majority interests in Nomura Corporate Advisors Co., Ltd., formerly Nomura Wasserstein Perrella Co., Ltd., in November 1999. Nomura Corporate Advisors became a wholly-owned subsidiary of NHI in September 2000 and merged with Nomura Securities in April 2002.

NHI has also enhanced its asset management business through the acquisition of a majority interest in Nomura Asset Management Co., Ltd. in March 2000. Nomura Asset Management became a wholly-owned subsidiary of NHI in December 2001.

On 26 June 2003, NHI adopted a committee-based corporate governance system under which it established a Nomination Committee, an Audit Committee and a Compensation Committee.

In September 2003, NHI sold 4,650 thousand shares of treasury shares at a value of ¥7,967million by a secondary offering in Japan.

In February 2007, NHI acquired Instinet Incorporated, a global agency broker and major provider of electronic trading services for institutional investors, to provide an electronic platform in global equities.

In a series of steps beginning in September 2008, NHI acquired certain operations, including personnel, of former Lehman Brothers in Asia, Europe and the Middle East.

In July 2009, NHI entered into a share purchase agreement with Nikko Citi Holdings Inc. and Citigroup International LLC with respect to NHI's acquisition of all the shares of Nikko Citi Trust and Banking Corporation through The Nomura Trust and Banking Co., Ltd. This acquisition was completed on October 1, 2009. In July 2009, NHI commenced operations in Saudi Arabia as the first Asian securities firm to provide investment banking services in the Kingdom. In July 2009, Nomura Securities International, Inc., a U.S. broker-dealer within Nomura Group, was designated to join the ranks of Primary Dealers by the Federal Reserve Bank of New York. In September 2009, Nomura Fixed Income Securities Private Limited, an Indian broker-dealer within Nomura Group, was designated to join the ranks of Primary Dealers by the Reserve Bank of India.

#### **CURRENT BUSINESS STRATEGY, MARKET TRENDS AND ACTIVITIES OF THE GUARANTOR**

NHI is one of the leading financial services groups in Japan and has worldwide operations. As at 31 March 2010, the Nomura Group operated offices in more than 30 countries and regions including Japan, the United States, the United Kingdom, Singapore and Hong Kong Special Administrative Region ("**Hong Kong SAR**") through its subsidiaries.

NHI's clients include individuals, corporations, financial institutions, governments and governmental agencies.

NHI's business consists of the following three divisions:

- (1) **Retail** – principally investment consultation services to retail customers;
- (2) **Wholesale** – principally serving corporations and institutional investors with a broad range of products and services:
  - i. **Global Markets** - principally fixed income and equity trading and asset finance businesses;
  - ii. **Investment Banking** – principally M&A advisory, corporate finance, solutions and merchant banking businesses;
- (3) **Asset Management** – principally development and management of investment trusts, and investment advisory services.

**FINANCIAL SUMMARY OF NHI**

The financial summary set forth below as at and for the years ended 31 March 2008, 2009 and 2010 has been derived from the audited consolidated financial statements of NHI as at those dates and for those periods. This information should be read in conjunction with, and is qualified by reference to, the consolidated financial statements of NHI and notes thereon prepared in accordance with U.S. GAAP for the years ended 31 March 2008, 2009 and 2010, respectively, and the accounting policies adopted in respect thereof:

Consolidated balance sheets of NHI as at 31 March 2008, 2009 and 2010.

	31 March		
	<u>2008</u>	<u>2009</u>	<u>2010</u>
	(Millions of Yen)		
Total assets	25,236,054	24,837,848	32,230,428
Total equity	2,001,102	1,551,546	2,133,014
Total liabilities	23,234,952	23,286,302	30,097,414

Consolidated statements of operations of NHI for the years ended 31 March 2008, 2009 and 2010:

	31 March		
	<u>2008</u>	<u>2009</u>	<u>2010</u>
	(Millions of Yen)		
Total revenue	1,593,722	664,511	1,356,751
Interest expense	<u>806,465</u>	<u>351,884</u>	<u>205,929</u>
Net revenue	787,257	312,627	1,150,822
Non-interest expenses	<u>852,167</u>	<u>1,092,892</u>	<u>1,045,575</u>
Income (loss) before income taxes	(64,910)	(780,265)	105,247
Income tax expense (benefit)	3,259	(70,854)	37,161
Net income (loss)	<u>(68,169)</u>	<u>(709,411)</u>	<u>68,086</u>
Net income (loss) attributable to NHI	<u>(67,847)</u>	<u>(708,192)</u>	<u>67,798</u>
Return on equity(1)	(3.3%)	(40.2%)	3.7%

(1) Calculated as Net income (loss) attributable to NHI divided by average Total NHI shareholders' equity.

The annual financial statements of NHI for the financial years ended 31 March 2009 and 2010 have been audited by Ernst & Young ShinNihon LLC, independent registered accounting firm, of Hibiya Kokusai Building, 2-3 Uchisaiwaicho 2-chome, Chiyoda-ku, Tokyo 100-0011, and contain an opinion from Ernst & Young ShinNihon LLC. None of the information in this Document has been separately audited.

NHI complies with the Japanese corporate governance regime and applicable capital adequacy requirements.

**MANAGEMENT OF NHI**

The Directors of NHI as of 30 June 2010 are as follows (together with details of their principal activities outside of NHI):

Director	Junichi Ujii	None
Chairman of the Board of Directors		
Director	Kenichi Watanabe	Director and President & CEO of Nomura Securities Co., Ltd.
President & CEO		
Director	Takumi Shibata	Director and Deputy President & COO of Nomura Securities Co., Ltd.  Deputy President & COO  Director of Fortress Investment Group LLC
Director	Masanori Itatani	Director of Nomura Securities Co., Ltd.
Director	Masanori Nishimatsu	None
Outside Director	Haruo Tsuji	Outside Director of Nomura Securities Co., Ltd.  Corporate Advisor of Sharp Corporation  Outside Director of Kobayashi Pharmaceutical Co., Ltd.  Outside Director of SEIREN CO., LTD.
Outside Director	Hajime Sawabe	Outside Director of Nomura Securities Co., Ltd.  Chairman of TDK Corporation  Outside Director of Asahi Glass Company, Limited  Outside Director of TEIJIN LIMITED
Outside Director	Tsuguoki Fujinuma	Outside Director of Nomura Securities Co., Ltd.  Advisor of The Japanese Institute of Certified Public Accountants  Outside Director of Tokyo Stock Exchange Group, Inc.

		Description of the Guarantor
		Governor of Tokyo Stock Exchange Regulation
		Specially-appointed Professor of Chuo Graduate School of Strategic Management
		Outside Statutory Auditor of Sumitomo Corporation
		Outside Statutory Auditor of Takeda Pharmaceutical Company Limited
		Outside Director of Sumitomo Life Insurance Company
		Outside Statutory Auditor of Seven & i Holdings Co., Ltd.
Outside Director	Hideaki Kubori	Outside Director of Nomura Securities Co., Ltd.
		Chairman of Hibiya Park Law Offices
		Outside Statutory Auditor of SOURCENEXT CORPORATION
		Supervisory Committee of The Norinchukin Bank
Outside Director	Masahiro Sakane	Outside Director of Nomura Securities Co., Ltd.
		Chairman of Komatsu Ltd.
		Outside Director of Tokyo Electron Limited
Outside Director	Lord Colin Marshall	Chairman of Pirelli UK plc
		Chairman of Nomura International plc
		Chairman of Nomura Europe Holdings plc
Outside Director	Dame Clara Furse	Non-Executive Director of Legal & General Group plc
		Non-Executive Director of Nomura International plc
		Non-Executive Director of Nomura Europe Holdings plc
		Non-Executive Director of Amadeus IT Holding SA



Among the above listed Directors, Haruo Tsuji, Hajime Sawabe, Tsuguoki Fujinuma, Hideaki Kubori, Masahiro Sakane, Lord Colin Marshall, and Dame Clara Furse satisfy the requirements for an "outside director" under the Companies Act of Japan (the Companies Act). The Companies Act defines an outside director of a company as a non-executive director (i) who has never assumed the position of executive director, executive officer, manager or employee of the company or its subsidiaries and (ii) who does not currently assume the position of executive director, executive officer, manager or employee of the company or its subsidiaries.

The following persons are the committee chairmen, committee members and members of the board of executive officers of NHI as of 30 June 2010.

### **Committee Chairmen and Members**

#### **1. Nomination Committee**

Chairman Junichi Ujiie  
Hideaki Kubori  
Masahiro Sakane

#### **2. Audit Committee**

Chairman Haruo Tsuji  
Tsuguoki Fujinuma  
Hajime Sawabe

#### **3. Compensation Committee**

Chairman Junichi Ujiie  
Hideaki Kubori  
Masahiro Sakane

#### *Members of Executive Management Board*

President & Chief Executive Officer (Representative Executive Officer)	Kenichi Watanabe
Deputy President & Chief Operating Officer (Representative Executive Officer)	Takumi Shibata
Executive Managing Director	Hitoshi Tada
Executive Managing Director	Atsushi Yoshikawa
Executive Managing Director	Hiroshi Tanaka
Executive Managing Director	Masafumi Nakada
Executive Managing Director	Noriaki Nagai

The business address for each person listed is Nomura Holdings, Inc, 9-1 Nihonbashi 1-chome, Chuo-ku, Tokyo 103-8645.

### **Information Concerning NHI's Directors**

Under the Companies Act, joint stock companies in Japan have the option of choosing committee-based corporate governance system ("**Committee System**") that consists of board of directors and

committees or a traditional corporate governance system that consists of board of directors and board of statutory auditors. A company which chooses the Committee System must establish three committees: a nomination committee, an audit committee and a compensation committee. The members of each committee are chosen from the company's directors. A majority of each committee must be outside directors. The company must then appoint executive officers and representative executive officers by a resolution of the board of directors. Under the Committee System, the executive officers manage the business affairs of a company. While the board of directors is entitled to establish the basic management policy for the company and has decision-making authority over certain prescribed matters, all other decisions related to business affairs may be made by executive officers.

NHI adopted the Committee System by amending their Articles of Incorporation by way of a special resolution adopted at NHI's annual meeting of shareholders held on June 26, 2003. NHI's Board of Directors established three committees, a nomination committee, an audit committee and a compensation committee, as described below. Through the adoption of the Committee System, NHI aim to strengthen management oversight, increase transparency in their management and have more flexible group operations. NHI's Board of Directors has the authority to determine NHI's basic management policy and supervise the execution by the directors and Executive Officers of their duties. NHI's Board of Directors has, by resolution, delegated to NHI's Executive Officers most of its authority to make decisions with regard to NHI's company's business.

NHI's Articles of Incorporation provide for the number of Directors to be not more than 20. Directors are elected at a meeting of shareholders. The term of office of Directors is one year, although they may serve any number of consecutive terms. From among its members, NHI's Board of Directors elects the chairman of meetings. NHI's Board of Directors met 10 times during the year ended March 31, 2010. As a group, NHI's Directors attended approximately 87% of the total number of meetings of NHI's Board of Directors.

#### **Compensation Committee**

NHI's compensation committee is authorised to determine the policy with respect to the determination of the particulars of the compensation for each Director and Executive Officer, and the particulars of the compensation for each Director and Executive Officer. This committee's current members are Junichi Ujiiie, Hideaki Kubori and Masahiro Sakane. Junichi Ujiiie is the chairman of this committee. NHI's compensation committee met 5 times during the year ended March 31, 2010. As a group, the member directors attended approximately 90% of the total number of meetings of NHI's compensation committee during the year.

#### **Nomination Committee**

NHI's nomination committee is authorised to determine the particulars of proposals concerning the election and dismissal of directors to be submitted to a meeting of shareholders by NHI's Board of Directors. This committee's current members are Junichi Ujiiie, Hideaki Kubori and Masahiro Sakane. Junichi Ujiiie is the chairman of this committee. NHI's nomination committee met three times during the year ended March 31, 2010. As a group, the member directors attended approximately 90% of the total number of meetings of NHI's nomination committee during the year.

#### **Audit Committee**

NHI has an audit committee that, according to NHI's Articles of Incorporation, is authorised to (i) audit the execution by the Directors and the Executive Officers of their duties and formulation of audit reports and (ii) determine the particulars of proposals concerning the election and dismissal of the independent auditors and the non-retention of such independent auditors to be submitted to a meeting of shareholders by NHI's Board of Directors. With respect to financial reporting, NHI's audit committee has the statutory duty to examine NHI's financial statements and business reports to be prepared by executive officers designated by NHI's Board of Directors and is authorised to report its opinion to the annual meeting of shareholders. In addition, pursuant to NHI's Regulations of the audit committee or resolutions of the Board of Directors concerning matters to be necessary for the performance of functions of the audit committee, NHI's audit committee has the authority to (i) pre-approve audit or non-audit services provided by the independent auditors for SEC reporting purposes and their fees, (ii) fees for independent auditors, (iii) establish the procedures for (a) the receipt, retention, and treatment of complaints received by NHI regarding accounting, internal controls, or

auditing matters and (b) the confidential, anonymous submission by NHI's employees regarding questionable accounting or auditing matters, (iv) approve the annual audit plan of the independent auditors.

This committee is currently composed of Haruo Tsuji, Tsuguoki Fujinuma and Hajime Sawabe. Haruo Tsuji is the chairman of this committee. NHI's audit committee met 22 times during the year ended March 31, 2010. As a group, the audit committee members attended approximately 95% of the total number of meetings of NHI's audit committee during the year.

#### **Limitation of Liabilities of Some Directors**

NHI has entered into agreements with seven of NHI's Directors, Hideaki Kubori, Haruo Tsuji, Masahiro Sakane, Tsuguoki Fujinuma, Hajime Sawabe, Lord Colin Marshall and Dame Clara Furse that limit their liabilities to NHI for damages suffered by NHI due to their acts taken in good faith and without gross negligence, up to the higher of (a) ¥20 million or (b) the amount prescribed by laws and ordinances.

#### **Information Concerning NHI's Executive Officers**

NHI's Articles of Incorporation provide for the number of the Executive Officers to be not more than 45. Executive Officers are elected at a meeting of NHI's Board of Directors. The term of office of Executive Officers is one year, although they may serve any number of consecutive terms.

NHI's Executive Officers have the authority to determine the matters delegated by the resolutions of NHI's Board of Directors and to execute NHI's business activities. Certain important matters so delegated (including issuance of new shares) are determined by the Executive Management Board. At present the members of this board are seven Executive Officers, including two representative Executive Officers.

#### **Share Ownership**

The following table shows the number of shares owned by NHI's Directors and Executive Officers as of 30 June 2010. As of that date, none of them owned 1% or more of NHI's issued and outstanding shares.

<b>Directors Name</b>	<b>Number of Shares</b>
Junichi Ujiie	198,902
Kenichi Watanabe	20,197
Takumi Shibata	78,125
Masanori Itatani	80,416
Masanori Nishimatsu	49,000
Haruo Tsuji	14,000
Hajime Sawabe	1,000
Hideaki Kubori	6,000
Tsuguoki Fujinuma	6,456
Masahiro Sakane	3,400
Lord Colin Marshall	0
Dame Clara Furse	0
Total	457,496

<b>Executive Officers Name</b>	<b>Number of Shares</b>
Kenichi Watanabe	See above
Takumi Shibata	See above
Hitoshi Tada	73,815
Atsushi Yoshikawa	34,897
Hiroshi Tanaka	32,284
Masafumi Nakada	3,203

Noriaki Nagai.	10,800
Total	253,321

There are no actual or potential conflicts of interest between any duties, owed to NHI by the members of the Board of Directors, the Compensation Committee, the Executive Management Board, the Nomination Committee and the Audit Committee and their private interests and/or other duties.

#### PRINCIPAL SHAREHOLDERS AND SHARE CAPITAL

The table below provides information about shareholders of record which own beneficially, or exercise control or direction over, 5% or more of the outstanding shares of NHI's common stock as of 31 March 2010:

	Number of shares owned (thousands)	Percentage of total issued shares (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	204,709	5.50

The FIEA and regulations thereunder require any person, regardless of such person's residence, that has become, beneficially and solely or jointly, a holder of more than 5% of the total issued shares of capital stock of a company listed on any Japanese stock exchange to file with the relevant competent Local Finance Bureau of the Ministry of Finance within five business days a report concerning such shareholdings, which is made available through EDINET, the electronic data gathering and retrieval system for filings made pursuant to the FIEA and regulations thereunder.

Such reports were filed with respect to NHI's shares on June 4, 2008, September 5, 2008, February 6, 2009, May 21, 2009 and October 21, 2009 jointly by Fidelity Investments Japan Limited and FMR LLC. According to such reports, as of October 15, 2009, together they beneficially owned 157,473,160 shares representing 4.41% of the issued shares of NHI's common stock, as calculated pursuant to the FIEA and regulations thereunder.

To their knowledge, NHI are not directly or indirectly owned or controlled by another corporation, by any government or by any other natural or legal person severally or jointly. NHI know of no arrangements the operation of which may at a later time result in a change of control of the Nomura Group.

Under NHI's Articles of Incorporation, the authorised share capital is 6,000,000,000 shares. All issued shares are fully-paid and non-assessable, and are in registered form.

Dividends paid by NHI for the past 5 years:

2006	-	JPY 48.00 per share
2007	-	JPY 44.00 per share
2008	-	JPY 34.00 per share
2009	-	JPY 25.50 per share
2010	-	JPY 8.00 per share

### **DOCUMENTS INCORPORATED BY REFERENCE**

This Document should be read and construed in conjunction with the document(s) incorporated by reference into this Document.

The information contained in the following document(s) is hereby incorporated by reference into this Document and deemed to form a part of this Document, save that any statement contained herein or in a document which is deemed to be incorporated in whole or in part by reference herein shall be deemed to be modified or superseded for the purpose of this Document to the extent that a statement contained in any such subsequent document which is deemed to be incorporated in whole or in part by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Where documents are incorporated by reference herein the information and documents which those documents incorporate by reference do not form part of this Document:

- Form 6-K of Nomura Holdings, Inc., containing its financial summary for the nine months ended 31 December 2010 (but excluding any documents incorporated therein);
- the publicly available consolidated Annual Report of the Guarantor for the two financial years ended 31 March 2009 and 31 March 2010; and
- the publicly available audited consolidated annual report of the Guarantor in its Form 20-F for the year ended 31 March 2009 and in its Form 20-F for the year ended 31 March 2010 (but excluding any documents incorporated therein)

The Principal Paying Agent will provide (on behalf of the Issuer), without charge, to each person to whom a copy of this Document has been delivered, upon the oral or written request of such person, a copy of any or all of the documents deemed to be incorporated herein by reference unless such documents have been modified or superseded as specified above. Written or telephone requests for such documents should be directed to the Agent at its principal office in London as set out at the end of this Document.

**FORM OF THE NOTES**

Each Tranche of Notes was initially represented by a Temporary Global Note (without receipts, interest coupons or talons) and is now represented by a Permanent Global Note (together with the Temporary Global Note, the "**Global Notes**") which has been delivered on or prior to the original issue date of each Tranche to a common safekeeper (the "**Common Safekeeper**") for Euroclear and Clearstream, Luxembourg.

Any reference in this section "*Form of the Notes*" to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system approved by the Issuer, the Dealer and the Agent.

Payments of principal, interest (if any) or any other amounts on a Permanent Global Note will be made through Euroclear and/or Clearstream, Luxembourg without any requirement for certification.

If in respect of any Note any amount of principal and/or interest is to be settled by the delivery of an asset other than by the payment of cash, the relevant provisions dealing with such delivery will be set out in the applicable Final Terms.

A Permanent Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Notes with, where applicable, receipts, interest coupons and talons attached, as specified in the applicable Final Terms, either (i) on not less than 60 days' written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) to the Agent as described therein or (ii) only upon the occurrence of an Exchange Event. For these purposes, an "**Exchange Event**" means that (i) an Event of Default (as defined in Condition 12) has occurred and is continuing, (ii) the relevant Issuer or, in the case of Guaranteed Notes, the Guarantor(s), have been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available or (iii) the relevant Issuer or, in the case of Guaranteed Notes, the Guarantor(s), have or will become obliged to pay additional amounts as provided for or referred to in Condition 10 which would not be required were the Notes represented by the Permanent Global Note in definitive form. The relevant Issuer or, in the case of Guaranteed Notes, the Guarantor(s), will promptly give notice to Noteholders in accordance with Condition 16 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) may give notice to the Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the relevant Issuer or the Guarantor(s), may also give notice to the Agent requesting exchange. Any such exchange shall occur no later than 60 days after the date of the first relevant notice received by the Agent.

Global Notes and definitive Notes will be issued pursuant to the Agency Agreement.

The following legend will appear on all Global Notes, definitive Notes, receipts, interest coupons and talons, unless otherwise agreed between the Issuer and the Dealer:

"ANY UNITED STATES PERSON (AS DEFINED IN THE INTERNAL REVENUE CODE OF THE UNITED STATES) WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(J) AND 1287(A) OF THE INTERNAL REVENUE CODE."

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Notes, receipts or interest coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of Notes, receipts or interest coupons.

A Note may be accelerated by the holder thereof in certain circumstances described in Condition 12 (*Events of Default and Enforcement relating to Notes*). In such circumstances, where any Note is still represented by a Global Note and a holder of such Note so represented and credited to his securities account with Euroclear and/or Clearstream, Luxembourg, as the case may be, gives notice that it wishes to accelerate such Note, unless within a period of 15 days from the giving of such notice payment has been made in full of the amount due in accordance with the terms of such Global Note,

such Global Note will become void. At the same time, holders of interests in such Global Note credited to their account with Euroclear or Clearstream, Luxembourg will become entitled to proceed directly against the Issuer on the basis of statements of account provided by Euroclear and Clearstream, Luxembourg, on and subject to the terms of the Deed of Covenant (as defined below).

**TERMS AND CONDITIONS OF THE NOTES**

**Specific Terms**

*The terms and conditions of the Notes shall consist of the terms and conditions as set forth under "General Terms and Conditions" below (beginning at page 38) as completed and/or varied in accordance with the Specific Terms set forth hereunder (which, for the avoidance of doubt, shall constitute the "Final Terms" as referred to in the terms and conditions set forth under "General Terms and Conditions" below (beginning at page 38)) and which have been endorsed upon, or attached to, each Global Note and definitive Note.*

- |   |      |                                   |  |
|---|------|-----------------------------------|--|
| 1 | (i)  | Issuer:                           | Nomura Bank International plc  |
|   | (ii) | Guarantor:                        | The Notes are guaranteed by Nomura Holdings, Inc.  |
| 2 | (i)  | Series Number:                    | 1827   |
|   | (ii) | Tranche Number:                   | In respect of: <ul style="list-style-type: none"> <li>(a) the EUR 300,000,000 Floating Rate Notes due 2019 issued on 30 September 2009, Tranche 1;</li> <li>(b) the EUR 100,000,000 Floating Rate Notes due 2019 issued on 14 October 2009, Tranche 2; and</li> <li>(c) the EUR 100,000,000 Floating Rate Notes due 2019 issued on 21 October 2009, Tranche 3 (collectively, the "Notes")</li> </ul>   |
| 3 |      | Specified Currency or Currencies: | Euro ("EUR")   |
| 4 |      | Aggregate Nominal Amount:         |  |
|   | (i)  | Series:                           | EUR 500,000,000  |
|   | (ii) | Tranche:                          | In respect of: <ul style="list-style-type: none"> <li>(a) Tranche 1, EUR 300,000,000;</li> <li>(b) Tranche 2, EUR 100,000,000; and</li> <li>(c) Tranche 3, EUR 100,000,000</li> </ul>  |
| 5 | (i)  | Issue Price:                      | In respect of: <ul style="list-style-type: none"> <li>(a) Tranche 1, 100.00 per cent. of the Aggregate Nominal Amount of Tranche 1;</li> <li>(b) Tranche 2, 100.00 per cent. of the Aggregate Nominal Amount of Tranche 2 plus accrued interest of 0.22 per cent. for the period from, and including, 30 September 2009 to, but excluding, the Issue Date of Tranche 2; and</li> <li>(c) Tranche 3, 100.00 per cent. of the Aggregate Nominal Amount of</li> </ul> |



Tranche 3 plus accrued interest of 0.33 per cent. for the period from and including 30 September 2009 to, but excluding, the Issue Date of Tranche 3

	(ii)	Net proceeds:	In respect of:
			(a) Tranche 1, EUR 300,000,000;
			(b) Tranche 2, EUR 100,220,000; and
			(c) Tranche 3, EUR 100,330,000
6	(i)	Specified Denominations:	EUR 50,000
	(ii)	Calculation Amount:	EUR 50,000
7	(i)	Issue Date:	In respect of:
			(a) Tranche 1, 30 September 2009;
			(b) Tranche 2, 14 October 2009; and
			(c) Tranche 3, 21 October 2009
	(ii)	Interest Commencement Date:	30 September 2009
8		Maturity Date:	30 September 2019
9		Interest Basis:	Floating Rate
			(further particulars specified below)
10		Redemption/Payment Basis:	Redemption at par
11		Change of Interest Basis or Redemption/ Payment Basis:	Not Applicable
12		Put/Call Options:	Not Applicable
13	(i)	Status of the Notes:	Senior
	(ii)	Status of the Guarantee:	Senior
14		Listing:	See "Listing and admission to trading" under "Other Information" below
15		Method of distribution:	Non-syndicated
<b>PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE</b>			
16		Fixed Rate Note Provisions	Not Applicable
17		Floating Rate Note Provisions	Applicable
	(i)	Specified Period(s)/Specified Interest Payment Dates:	Specified Interest Payment Dates: 30 September in each year from and including 30 September 2010 to and including the Maturity Date
	(ii)	Business Day Convention:	Following Business Day Convention

	(iii)	Additional Business Centre(s):	Not Applicable
	(iv)	Manner in which the Rate of Interest and Interest Amount is to be determined:	ISDA Determination
	(v)	Calculation Agent responsible for calculating the Rate of Interest and Interest Amount:	Nomura International plc
	(vi)	Screen Rate Determination:	Not Applicable
	(vii)	ISDA Determination:	Applicable
		• Floating Rate Option:	EUR-ISDA-EURIBOR-Swap Rate-11.00 (as defined in the 2006 ISDA Definitions)  If Reuters Screen ISDAFIX2 Page is cancelled or unavailable the fall back provisions as set out under the definition of "EUR-ISDA-EURIBOR-Swap Rate-11.00" (as defined in the 2006 ISDA Definitions) will apply
		• Designated Maturity:	10 years
		• Reset Date:	The first day of each Interest Period
	(viii)	Margin(s):	0.00 per cent. per annum
	(ix)	Minimum Rate of Interest:	5.75 per cent. per annum
	(x)	Maximum Rate of Interest:	Not Applicable
	(xi)	Day Count Fraction:	Actual/Actual ICMA (unadjusted)
	(xii)	Fall back provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	Unless otherwise specified, the Rate of Interest shall be rounded to six decimal places, with 0.0000005 being rounded up
18		Zero Coupon Note Provisions	Not Applicable
19		Index Linked Interest Note Provisions	Not Applicable
20		Foreign Exchange Linked Interest Note Provisions	Not Applicable
21		Dual Currency Interest Note Provisions	Not Applicable
22		Equity Linked Interest Note Provisions	Not Applicable
23		Credit Linked Note – Interest Provisions	Not Applicable
24		Other Notes – Interest Provisions	Not Applicable
<b>PROVISIONS RELATING TO THE METHOD OF DETERMINING FOREIGN EXCHANGE</b>			
25		Foreign Exchange Linked Provisions	Not Applicable

**PROVISIONS RELATING TO REDEMPTION**

26	Issuer Call:	Not Applicable
27	Investor Put:	Not Applicable
28	Final Redemption Amount per Note:	Redemption at par
29	(i) Early Redemption Amount(s) per Note payable on redemption for taxation reasons, upon a regulatory event or on event of default and/or the method of calculating the same if required or if different from that set out in Condition 9(f):	Not Applicable
	(ii) Redemption for taxation reasons permitted on days other than Interest Payment Dates:	No
	(iii) Notice Period (if other than as set out in the Conditions):	Not Applicable
	(iv) Earliest date on which notice may be given (if other than as set out in the Conditions):	Not Applicable
30	Dual Currency Redemption Notes:	Not Applicable
31	Index Linked Redemption Notes:	Not Applicable
32	Foreign Exchange Linked Redemption Notes:	Not Applicable
33	Equity Linked Redemption Notes:	Not Applicable
34	Credit Linked Notes:	Not Applicable
35	Other Notes	Not Applicable

**GENERAL PROVISIONS APPLICABLE TO THE NOTES**

36	(i) Form of Notes:	In respect of each Tranche, Temporary Global Note which has been exchanged for a Permanent Global Note which is exchangeable for Definitive Notes only upon an Exchange Event
	(ii) New Global Note:	Yes
37	Additional Financial Centre(s) or other special provisions relating to Payment Days:	Not Applicable
38	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	No
39	Details relating to Partly Paid Notes, including amount of each payment comprising the Issue Price and date on which each payment is to be made and, if different from those specified in the Temporary Global Note, consequences of	Not Applicable

failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:

40	Details relating to Instalment Notes:	Not Applicable
41	Redenomination provisions:	Not Applicable
42	Other terms or special conditions:	Not Applicable
43	Exchangeable Note Provisions:	Not Applicable

#### **DISTRIBUTION**

44	(i) If syndicated, names of Managers:	Not Applicable
	(ii) Stabilising Manager (if any):	Not Applicable
45	If non-syndicated, name of relevant Dealer:	Nomura International plc Nomura House 1 St Martin's-le-Grand London EC1A 4NP
46	Whether TEFRA D or TEFRA C rules applicable or TEFRA rules not applicable:	TEFRA D
47	Additional selling restrictions:	Not Applicable

#### **OPERATIONAL INFORMATION**

48	ISIN:	XS0451161748
49	Common Code:	045116174
50	Notes to be cleared through a clearing system:	Yes
	If yes, any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s):	Not Applicable
51	Delivery:	Delivery against payment
52	Agent:	Citibank, N.A., London
53	Additional Paying Agent(s) (if any):	Not Applicable
54	Settlement Agent:	Not Applicable
55	Intended to be held in a manner which would allow Eurosystem eligibility:	Yes

Note that the designation "Yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of Eurosystem eligibility criteria

**OTHER INFORMATION**

Listing and admission to trading:	Application has been made to the UK Listing Authority for the Notes to be admitted to the Official List of the UK Listing Authority, and to the London Stock Exchange and for the Notes to be admitted to trading on the London Stock Exchange's Regulated Market, which is a regulated market for the purposes of the Markets in Financial Instruments Directive 2004/39/EC. No assurances can be given that such application for admission to trading and listing will be granted. Upon such application being granted, the Issuer anticipates that it will apply for the de-listing of the Notes from the Luxembourg Euro MTF Market.
Estimate of total expenses related to admission to trading:	4,885 Pounds Sterling.
Interests of natural and legal persons involved in the offer:	Save as discussed in the section of this Document entitled, "Subscription and Sale" below, so as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.
Rating:	<p>The Notes have been rated A- by Standard &amp; Poor's through:</p> <p>Standard &amp; Poor's International LLC Marunouchi Kitaguchi Bldg, 28F 1-6-5, Marunouchi Chiyoda-ku, Tokyo 100-0005</p> <p>Standard &amp; Poor's International LLC is not established in the EU and is not registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 19 September 2009 on credit rating agencies.</p>

### General Terms and Conditions

*The following are the terms and conditions of the Notes which will be incorporated by reference into each Global Note and which will be endorsed upon (or, if permitted by the relevant stock exchange and agreed between the relevant Issuer and the relevant Dealer, incorporated by reference into) each definitive Note.*

**As specified above, each reference to "Final Terms" below shall be deemed to be to "Specific Terms" as set forth above.**

This Note is one of a series of Notes issued by Nomura Bank International plc (**NBI**), Nomura Europe Finance N.V. (**NEF**) and Nomura Global Funding plc (**NGF** and, together with NBI and NEF, the **Issuers** and each an **Issuer**) pursuant to the Agency Agreement (as defined below). References herein to the Notes shall be references to the Notes of this Series (as defined below) and shall mean (i) in relation to any Notes represented by a Global Note, units of each Specified Denomination in the Specified Currency, (ii) definitive Notes issued in exchange (or part exchange) for a Global Note and (iii) any Global Note. The Notes, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of an agency agreement dated 31 July 2009 (as amended, supplemented and/or restated from time to time, the **Agency Agreement**) and made among the Issuers, Nomura Holdings, Inc. (**NHI**), Nomura Securities Co., Ltd. (**NSC** and, together with NHI, the **Guarantors** and each a **Guarantor**), Citibank, N.A., London as issuing agent, principal paying agent and agent bank (the **Agent**, which expression shall include any successor agent), the other paying agents named therein (together with the Agent, the **Paying Agents**, which expression shall include any additional or successor paying agents), the calculation agent named therein (the Calculation Agent, which expression shall include any successor calculation agent as specified in the applicable Final Terms) and the settlement agent named therein (the **Settlement Agent**, which expression shall include any additional or successor settlement agent).

Notes may be issued with the benefit of a guarantee from either NHI or NSC or from both NHI and NSC on a joint and several basis pursuant to a deed of guarantee (the **Guarantee**) dated 31 July 2009 and executed by the Guarantors. Notes issued by NBI and NGF can also be not guaranteed. The applicable Final Terms will specify whether or not an issue of Notes is to be guaranteed.

Any Notes specified in the applicable Final Terms as guaranteed by either NSC or NHI or on a joint and several basis by both the Guarantors are referred to in these Conditions as **Guaranteed Notes** and, in relation thereto, references in these Conditions to the **Guarantor(s)** shall be construed to mean NHI (where the relevant Final Terms specify NHI as sole Guarantor in respect of the relevant Series of Notes), NSC (where the relevant Final Terms specify NSC as sole Guarantor in respect of the relevant Series of Notes), or the Guarantors (where the relevant Final Terms specify each of NHI and NSC as the Guarantors in respect of the relevant Series of Notes). The principal, interest and all other amounts payable or deliverable under Guaranteed Notes are unconditionally and irrevocably guaranteed by the Guarantor(s), pursuant to the terms of the Guarantee.

NEF shall only issue Guaranteed Notes which shall be guaranteed by either (i) NHI or (ii) NHI and NSC on a joint and several basis. Guaranteed Notes issued by NGF shall only be guaranteed by NHI.

Interest bearing definitive Notes (unless otherwise indicated in the applicable Final Terms) have interest coupons (**Coupons**) and, if indicated in the applicable Final Terms, talons for further Coupons (**Talons**) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Definitive Notes repayable in instalments have receipts (**Receipts**) for the payment of the instalments of principal (other than the final instalment) attached on issue. Any reference herein to **Noteholders** shall mean the holders of the Notes, and shall, in relation to any Notes represented by a Global Note, be construed as provided below. Any reference herein to **Receiptholders** shall mean the holders of the Receipts and any reference herein to **Couponholders** shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons.

The Final Terms applicable to this Note is attached hereto or incorporated herein and supplements these Terms and Conditions (the **Conditions**) and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Conditions, replace or modify these Conditions for the purposes of this Note.

References herein to the **applicable Final Terms** are to the Final Terms attached hereto or incorporated herein.

As used herein, **Tranche** means Notes which are identical in all respects (including as to listing) and **Series** means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (i) expressed to be consolidated and form a single series and (ii) identical in all respects (including as to listing) except for their respective nominal amounts, Issue Dates, Interest Commencement Dates and/or Issue Prices.

The Noteholders, the Receiptholders and the Couponholders are entitled to the benefit of an deed of covenant (the **Deed of Covenant**) dated 31 July 2009 and executed by the Issuers. The original of the Deed of Covenant is held by a common depository on behalf of Euroclear (as defined below) and Clearstream, Luxembourg (as defined below) and any other additional or alternative clearing system as specified in the applicable Final Terms and the original of the Guarantee is held by the Agent at its specified office for the time being.

Copies of the Agency Agreement, the Guarantee, the applicable Final Terms and the Deed of Covenant are available for inspection at the specified offices of each of the Agent and the other Paying Agents save that a Final Terms relating to an unlisted Note will only be available for inspection by a Noteholder holding one or more unlisted Notes of that Series and upon such Noteholder producing evidence as to identity satisfactory to the relevant Paying Agent. The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Deed of Covenant, the Agency Agreement, the Guarantee (if applicable) and the applicable Final Terms which are binding on them.

Words and expressions defined in the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of any inconsistency between the Agency Agreement and the applicable Final Terms, the applicable Final Terms will prevail.

#### 1. **Form, Denomination and Title**

The Notes are in bearer form and, in the case of definitive Notes, serially numbered, in the Specified Currency and the Specified Denomination(s). Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

This Note may be a Fixed Rate Note, a Floating Rate Note, a Dual Currency Redemption Note, a Foreign Exchange Linked Interest Note, a Dual Currency Interest Note, an Index Linked Redemption Note, an Index Linked Interest Note, a Zero Coupon Note, a Foreign Exchange Linked Redemption Note, an Equity Linked Redemption Note, an Equity Linked Interest Note, a Credit Linked Note, an Exchangeable Note or any Other Note, depending upon the interest or redemption/payment basis specified in the applicable Final Terms, and the appropriate provisions of these Conditions will apply accordingly.

Notes in definitive form are issued with Coupons attached, unless they are Zero Coupon Notes or Notes without any interest amounts payable thereunder in which case references to Coupons and Couponholders in the Conditions are not applicable.

Subject as set out below, title to the Notes, Receipts and Coupons will pass by delivery. The relevant Issuer, the Guarantor(s), (in the case of Guaranteed Notes), the Agent, any Paying Agent and the Settlement Agent may deem and treat the bearer of any Note, Receipt or Coupon as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank S.A./N.V. (**Euroclear**) and/or Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**), each person who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the relevant Issuer, the Guarantor(s), (in the case

of Guaranteed Notes), any Paying Agent and the Settlement Agent as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such Notes, for which purpose the bearer of the relevant Global Note shall be treated by the relevant Issuer, the Guarantor(s), (in the case of Guaranteed Notes), any Paying Agent and the Settlement Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note (and the expressions **Noteholder** and **holder of Notes** and related expressions shall be construed accordingly). Notes which are represented by a Global Note held by a common depositary or a common safekeeper for Euroclear or Clearstream, Luxembourg will be transferable only in accordance with the rules and procedures for the time being of Euroclear or of Clearstream, Luxembourg, as the case may be.

References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system approved by the relevant Issuer and the Agent and specified in the applicable Final Terms.

## 2. **Status of the Notes and the Guarantee**

### (a) **Status of the Notes**

The Notes and the relative Receipts and Coupons are direct, unconditional, unsubordinated and, subject to the provisions of Condition 3(a), unsecured obligations of the relevant Issuer and shall at all times rank *pari passu* and without preference among themselves and (subject as aforesaid and save for such exceptions as may be provided by applicable legislation) at least equally with all other present and future unsecured and unsubordinated obligations of the relevant Issuer from time to time outstanding.

### (b) **Status of the Guarantee**

In respect of Guaranteed Notes, the relevant Issuer's payment and/or delivery obligations in respect of such Guaranteed Notes are unconditionally and irrevocably guaranteed by NHI or NSC or on a joint and several basis by NHI and NSC under the Guarantee, as specified in the relevant Final Terms. NEF shall only issue Guaranteed Notes which shall be guaranteed by either (i) NHI or (ii) NHI and NSC on a joint and several basis. Guaranteed Notes issued by NGF shall only be guaranteed by NHI. The obligations of each Guarantor under the Guarantee constitute direct, unconditional, unsubordinated and, subject to the provisions of Condition 3(b), unsecured obligations of such Guarantor, and shall (subject as aforesaid and save for obligations in respect of national and local taxes and certain other statutory exceptions) at all times rank at least equally with all other present and future unsecured and unsubordinated obligations of such Guarantor.

## 3. **Negative Pledge**

### (a) **Issuers**

The relevant Issuer undertakes that it will not, so long as any of the Notes remain Outstanding (as defined in the Agency Agreement), create or have outstanding any mortgage, charge, pledge or other security interest upon the whole or any part of its undertaking, assets or revenues, present or future, to secure any of its own Indebtedness or to secure its guarantee of or any indemnity in respect of any Indebtedness of any third party for the benefit of the existing or future holders thereof, without at the same time either securing the Notes at least equally and rateably with such Indebtedness or, as the case may be, such guarantee or indemnity or according to the Notes such other security or guarantee as shall have been approved by an Extraordinary Resolution (as defined in the Agency Agreement) of the Noteholders for the time being. As used in this paragraph, **Indebtedness** means any indebtedness represented by securities which have a maturity of greater than one year and are for the time being, or are intended to be, quoted, listed, ordinarily dealt in or traded on any stock exchange or over-the-counter or other securities market in the jurisdiction of incorporation of the relevant Issuer (the **Issuer's Jurisdiction**), or elsewhere.

### (b) **Guarantors**

Each Guarantor undertakes that so long as any of the Guaranteed Notes guaranteed by it remain Outstanding, the Guarantor(s), it will not create or permit to be outstanding any mortgage, charge, pledge or other security interest upon the whole or any part of its property, assets or revenues, present or future, to secure for the benefit of the holders of any securities (i) payment of any sum due in respect



of any securities or (ii) any payment under any guarantee of securities or (iii) any payment under any indemnity or other like obligation relating to securities, in any such case in which:

- (i) either such securities are by their terms payable, or confer a right to receive payment, in any currency other than the currency of the jurisdiction of incorporation of the Guarantors (the **Guarantors' Currency**) which, in respect of NHI and NSC, is Yen, or such securities are denominated in the Guarantors' Currency and more than 50 per cent. of the aggregate principal amount thereof is initially distributed outside the jurisdiction of incorporation of the Guarantors (the **Guarantors' Jurisdiction**) which, in respect of NHI and NSC, is Japan, by or with the authorisation of the Guarantor(s) or (if not the Guarantor(s)) the relevant Issuer; and
- (ii) such securities are for the time being, or are intended to be, quoted, listed, ordinarily dealt in or traded on any stock exchange or over-the-counter or other securities market outside the relevant Guarantors' Jurisdiction,

without in any such case at the same time according to the Guarantee either the same security as is granted to or is outstanding in respect of such securities, guarantee, indemnity or other like obligation or such other security or guarantee as shall be approved by an Extraordinary Resolution of the Noteholders.

As used in this paragraph, **securities** means bonds, debentures, notes or other similar investment securities of any Issuer or either Guarantor, or any other person with a stated maturity of more than one year from the creation thereof.

#### 4. **Redenomination**

##### (a) **Redenomination**

Where redenomination is specified in the applicable Final Terms as being applicable, the relevant Issuer may, without the consent of the Noteholders, the Receiptholders and the Couponholders, on giving prior notice to the Agent, Euroclear and Clearstream, Luxembourg and at least 30 days' prior notice to the Noteholders in accordance with Condition 16, elect that, with effect from the Redenomination Date specified in the notice, the Notes shall be redenominated in euro.

The election will have effect as follows:

- (i) the Notes and the Receipts shall be deemed to be redenominated into euro in the denomination of euro 0.01 with a principal amount for each Note and Receipt equal to the principal amount of that Note or Receipt in the Specified Currency, converted into euro at the Established Rate, provided that, if the relevant Issuer determines, with the agreement of the Agent, that the then market practice in respect of the redenomination into euro of internationally offered securities is different from the provisions specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the relevant Issuer shall promptly notify the Noteholders, the stock exchange (if any) on which the Notes may be listed and the Paying Agents of such deemed amendments;
- (ii) save to the extent that an Exchange Notice has been given in accordance with paragraph (iv) below, the amount of interest due in respect of the Notes will be calculated by reference to the aggregate principal amount of Notes presented (or, as the case may be, in respect of which Coupons are presented) for payment by the relevant holder and the amount of such payment shall be rounded down to the nearest euro 0.01;
- (iii) if definitive Notes are required to be issued after the Redenomination Date, they shall be issued at the expense of the relevant Issuer in the denominations of euro 1,000, euro 10,000, euro 100,000 and (but only to the extent of any remaining amounts less than euro 1,000 or such smaller denominations as the Agent may approve) euro 0.01 and such other denominations as the Agent shall determine and notify to the Noteholders;
- (iv) if issued prior to the Redenomination Date, all unmatured Coupons denominated in the Specified Currency (whether or not attached to the Notes) will become void with effect

from the date on which the relevant Issuer gives notice (the Exchange Notice) that replacement euro-denominated Notes, Receipts and Coupons are available for exchange (provided that such securities are so available) and no payments will be made in respect of them. The payment obligations contained in any Notes and Receipts so issued will also become void on that date although those Notes and Receipts will continue to constitute valid exchange obligations of the relevant Issuer. New euro denominated Notes, Receipts and Coupons will be issued in exchange for Notes, Receipts and Coupons denominated in the Specified Currency in such manner as the Agent may specify and as shall be notified to the Noteholders in the Exchange Notice. No Exchange Notice may be given less than 15 days prior to any date for payment of principal of or interest on the Notes;

- (v) after the Redenomination Date, all payments in respect of the Notes, the Receipts and the Coupons, other than payments of interest in respect of periods commencing before the Redenomination Date, will be made solely in euro as though references in the Notes to the Specified Currency were to euro. Payments will be made in euro by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque;
- (vi) if the Notes are Fixed Rate Notes and interest for any period ending on or after the Redenomination Date is required to be calculated for a period ending other than on an Interest Payment Date, it will be calculated by applying the Rate of Interest to the Calculation Amount and multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note comprises more than one Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the Specified Denomination without any further rounding; and
- (vii) if the Notes are Floating Rate Notes, the applicable Final Terms will specify any relevant changes to the provisions relating to interest.

(b) **Definitions**

In the Conditions, the following expressions have the following meanings:

**Established Rate** means the rate for the conversion of the Specified Currency (including compliance with rules relating to roundings in accordance with applicable European Community regulations) into euro established by the Council of the European Union pursuant to Article 123 of the Treaty;

**euro** means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty;

**Redenomination Date** means (in the case of interest bearing Notes) any date for payment of interest under the Notes or (in the case of Zero Coupon Notes) any date, in each case specified by the relevant Issuer in the notice given to the Noteholders pursuant to paragraph (a) above and which falls on or after the start of the date on which the country of the Specified Currency first participates in the third stage of European economic and monetary union; and

**Treaty** means the Treaty establishing the European Community, as amended.

5. **Interest**

(a) **Interest on Fixed Rate Notes**

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

Except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

Except where a Fixed Coupon Amount or a Broken Amount is specified in the applicable Final Terms, such interest shall be calculated by applying the Rate of Interest to the Calculation Amount and multiplying such sum by the applicable Day Count Fraction and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination without any further rounding.

**Day Count Fraction** means in respect of the calculation of an amount of interest in accordance with this Condition 5(a):

- (i) if **Actual/Actual (ICMA)** is specified in the applicable Final Terms:
  - (A) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the **Accrual Period**) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or
  - (B) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
    - (1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
    - (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
- (ii) if **30/360** is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

In the Conditions:

**Determination Period** means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date);

**Fixed Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date; and

**sub-unit** means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.

(b) **Interest on Floating Rate Notes, Index Linked Interest Notes and Foreign Exchange Linked Interest Notes**

(i) *Interest Payment Dates*

Each Floating Rate Note, Index Linked Interest Note and Foreign Exchange Linked Interest Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

- (A) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or
- (B) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an **Interest Payment Date**) which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (which expression shall, in the Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (1) in any case where Specified Periods are specified in accordance with Condition 5(b)(i)(B) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (II) below shall apply mutatis mutandis or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (I) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (II) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (2) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (3) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (4) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In this Condition, **Business Day** means a day which is both:

- (C) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and each Additional Business Centre specified in the applicable Final Terms; and
- (D) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle

payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than London and each Additional Business Centre and which, if the Specified Currency is Australian dollars, shall be Sydney, and if the Specified Currency is New Zealand dollars, shall be Wellington and Auckland) or (2) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (**TARGET2**) System (the **TARGET2 System**) or any successor thereto is open.

(ii) *Rate of Interest*

The Rate of Interest payable from time to time in respect of the Floating Rate Notes, Index Linked Interest Notes and Foreign Exchange Linked Interest Notes will be determined in the manner specified in the applicable Final Terms.

(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this sub-paragraph (A), **ISDA Rate** for an Interest Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as calculation agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the **ISDA Definitions**) and under which:

- (1) the Floating Rate Option is as specified in the applicable Final Terms;
- (2) the Designated Maturity is a period specified in the applicable Final Terms; and
- (3) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the London inter-bank offered rate (**LIBOR**) or on the Eurozone inter-bank offered rate (**EURIBOR**), the first day of that Interest Period or (ii) in any other case, as specified in the applicable Final Terms.

For the purposes of this sub-paragraph (A), **Floating Rate**, **calculation agent**, **Floating Rate Option**, **Designated Maturity** and **Reset Date** have the meanings given to those terms in the ISDA Definitions.

Unless otherwise stated in the applicable Final Terms, the Minimum Rate of Interest shall be deemed to be zero.

(B) Screen Rate Determination for Floating Rate Notes

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (1) the offered quotation; or
- (2) the arithmetic mean (rounded, if necessary, to the sixth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time in the case of LIBOR, or Brussels time, in the case of

EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Calculation Agent. If five or more such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (1) above, no such offered quotation appears or, in the case of (2) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Final Terms as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Final Terms.

(iii) *Minimum and/or Maximum Rate of Interest*

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(iv) *Determination of Rate of Interest and Calculation of Interest Amounts*

The Calculation Agent will, at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. Unless otherwise specified, the Rate of Interest shall be rounded to six decimal places, with 0.0000005 being rounded up. The Calculation Agent will notify the Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

The Calculation Agent will calculate the amount of interest (the **Interest Amount**) payable on the Floating Rate Notes, Index Linked Interest Notes or Foreign Exchange Linked Interest Notes for the relevant Interest Period by applying the Rate of Interest to the Calculation Amount and multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency (being, in the case of amount payable in euro or U.S. dollars, cents, in the case of amount payable in pounds sterling, pence and, in the case of amount payable in Japanese Yen, yen), half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note, an Index Linked Interest Note or a Foreign Exchange Linked Interest Note is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination without any further rounding.

**Day Count Fraction** means, in respect of the calculation of an amount of interest in accordance with this Condition 5(b):

- (A) if **Actual/Actual (ISDA)** or **Actual/Actual** is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (1) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (2) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (B) if **Actual/365 (Fixed)** is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (C) if **Actual/365 (Sterling)** is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (D) if **Actual/360** is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (E) if **30/360, 360/360** or **Bond Basis** is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y<sub>1</sub>" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M<sub>1</sub>" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M<sub>2</sub>" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D<sub>1</sub>" is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D<sub>1</sub> will be 30; and

"D<sub>2</sub>" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30;

- (F) if **30E/360** or **Eurobond Basis** is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y<sub>1</sub>" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M<sub>1</sub>" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M<sub>2</sub>" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D<sub>1</sub>" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

"D<sub>2</sub>" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D<sub>2</sub> will be 30; and

(G) if **30E/360 (ISDA)** is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y<sub>1</sub>" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M<sub>1</sub>" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M<sub>2</sub>" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D<sub>1</sub>" is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D<sub>1</sub> will be 30; and

"D<sub>2</sub>" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31 and D<sub>2</sub> will be 30.

(v) *Notification of Rate of Interest and Interest Amounts*

The Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the relevant Issuer, the Guarantor(s) (in the case of Guaranteed Notes) and any stock exchange on which the relevant Floating Rate Notes, Index Linked Interest Notes or Foreign Exchange Linked Interest Notes are for the time being listed, quoted and/or traded and notice thereof to be published in accordance with Condition 16 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange, competent listing authority and/or quotation system (if required) on which the relevant Floating Rate Notes, Index Linked Interest Notes or Foreign Exchange Linked Interest Notes are for the time being listed, quoted and/or traded and to the Noteholders in accordance with Condition 16. For the purposes of this paragraph, the expression **London Business Day** means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.



(vi) *Certificates to be final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5(b), by the Calculation Agent, shall (in the absence of wilful default, bad faith, manifest error or proven error) be binding on the relevant Issuer, the Guarantor(s) (in the case of Guaranteed Notes), the Agent, the other Paying Agents and all Noteholders, Receiptholders and Couponholders and (in the absence as aforesaid) no liability to the relevant Issuer, the Guarantor(s) (in the case of Guaranteed Notes), the Noteholders, the Receiptholders or the Couponholders shall attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(c) **Interest on Dual Currency Interest Notes, Equity Linked Interest Notes, Credit Linked Notes and Other Notes**

Any rate or amount of interest payable in respect of Dual Currency Interest Notes, Equity Linked Interest Notes, Credit Linked Notes and Other Notes shall be determined in the manner specified in the applicable Final Terms.

(d) **Interest on Partly Paid Notes**

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Final Terms.

(e) **Accrual of Interest**

Each Note (or, in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the due date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused or delivery of any asset in respect thereof is improperly withheld or refused. In such event, interest will continue to accrue until the earlier of:

- (1) the date on which all amounts due in respect of such Note have been paid and/or all assets in respect of such Note have been delivered; and
- (2) five days after the date on which the full amount of the monies payable in respect of such Note has been received by the Agent and/or all assets in respect of such Note have been received by the Settlement Agent and notice to that effect has been given to the Noteholders in accordance with Condition 16 or individually.

6. **Provisions related to Index Linked Notes where the Index is the Nikkei Stock Average**

If the Index is specified as the Nikkei Stock Average in the applicable Final Terms, paragraphs (a), (b) and (c) below shall apply, unless otherwise specified, in relation to any amount or rate the value of which is based upon the level of the Nikkei Stock Average.

(a) **Adjustment to Index**

(i) *Successor Index*

If the Index is (i) not calculated and announced by the Index Sponsor but is calculated and announced by a successor sponsor acceptable to the Calculation Agent or (ii) replaced by a successor index using, in the determination of the Calculation Agent, the same or a substantially similar formula for and method of calculation as used in the calculation of the Index, then in each case that index (the **Successor Index**) will be deemed to be the Index.

(ii) *Modification and Cessation of Calculation of the Index*

If (i) on or prior to any Valuation Date or any Scheduled Trading Day during the Reference Period, as the case may be, the Index Sponsor announces that it will make a material change in the formula for or the method of calculating the Index or in any other way materially modifies the Index (other than a modification prescribed in that formula or method to maintain the Index in the event of changes in constituent stocks and capitalisation and other routine events) (an Index Modification) or (ii) on any Valuation Date or any Scheduled Trading Day during the Reference Period, as the case may be, the Index Sponsor fails to calculate and announce the level of the Index, then the Calculation Agent in its sole discretion shall (or, with respect to an Index Modification on the relevant Scheduled Trading Day during the Reference Period (other than the Valuation Date), may) determine the level of the Index in accordance with the formula for and method of calculation of the Index last in effect prior to that change or failure, but using only those securities that comprised the Index immediately prior to that change or failure (other than those securities that have since ceased to be listed on the Exchange).

(iii) *Cancellation of the Index*

If on or prior to any Valuation Date or any Scheduled Trading Day during the Reference Period, as the case may be, the Index Sponsor permanently cancels the Index and no Successor Index exists, then the relevant Issuer in its sole discretion may take the action described in (i) or (ii) below:

- (A) to require the Calculation Agent in its sole discretion to determine the level of the Index in accordance with the formula for and method of calculation of the Index last in effect prior to that cancellation, but using only those securities that comprised the Index immediately prior to that cancellation (other than those securities that have since ceased to be listed on the Exchange); or
- (B) to redeem the Notes by giving notice to the Noteholders in accordance with Condition 16. If the Notes are so redeemed, the relevant Issuer will pay to each Noteholder the Early Redemption Amount on the date notified to the Noteholders in accordance with Condition 16. The Early Redemption Amount in respect of each nominal amount of the Notes equal to the Specified Denomination shall be an amount in the Specified Currency calculated by the Calculation Agent in its sole discretion that, on the date three Business Days prior to the due date for redemption, is equal to the fair economic value of such nominal amount of the Notes, less the cost to the relevant Issuer of unwinding any underlying related hedging arrangements. **Business Day** for the purposes of this Condition 6(a)(iii) only means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in London, Luxembourg and Tokyo.

(iv) *Correction of the Index*

If the level of the Index published by the Index Sponsor and which is utilised for any calculation or determination made for the Notes is subsequently corrected and the correction which leads to the correction of the amount and/or the rate previously determined with reference to the level of the Index is published by the Index Sponsor within one (1) Exchange Business Day of the original publication, but under no circumstances later than the relevant payment date, then the Calculation Agent will promptly notify the relevant Issuer and the Agent of (i) that correction, (ii) the amount that is payable or deliverable as a result of that correction, as calculated by the Calculation Agent and (iii) to the extent necessary, the adjustment to the terms of the Notes to account for such correction, as soon as possible after the publication of such correction.

(b) **Disclaimer**

The Notes are not in any way sponsored, endorsed, sold or promoted by the Index or the Index Sponsor and the Index Sponsor makes no warranty or representation whatsoever, whether express or implied, either as to the results to be obtained from the use of the Index and/or the levels at which the Index stands at any particular time on any particular date or otherwise. Neither the Index nor the Index Sponsor shall be liable (whether in negligence or otherwise) to any person for any error in the Index or be under any obligation to advise the relevant Issuer or the Noteholders of any error therein. The Index Sponsor makes no representation whatsoever, whether express or implied, as to the advisability of purchasing or assuming any risk in connection with the Notes and has no obligation or responsibility for any business regarding the Notes. None of the relevant Issuer, the Guarantor(s), their affiliates or the Calculation Agent shall have any liability to the Noteholders for any act or failure to act by the Index Sponsor in connection with the calculation, adjustment or maintenance of the Index. Except as disclosed prior to the issue of the Notes, none of the relevant Issuer, the Guarantor(s) or their affiliates has any affiliation with or control over the Index or Index Sponsor or any control over the computation, composition or dissemination of the Index. Although the Calculation Agent will obtain information concerning the Index from publicly available sources it believes reliable, it will not independently verify this information. Accordingly, no representation, warranty or undertaking (express or implied) is made and no responsibility is accepted by the relevant Issuer, the Guarantor(s), their affiliates or the Calculation Agent as to the accuracy, completeness and timeliness of information concerning the Index. The copyright regarding the **Nikkei Stock Average** or the intellectual property right in respect of the presentation of the **Nikkei Stock Average** or any other right is held by Nikkei, Inc. Nikkei, Inc. has the right to change the content of the **Nikkei Stock Average** and to suspend the publication thereof.

(c) **Interpretation and Definitions**

In these Conditions, the following terms shall have the meanings given or referred to below. Other terms used in these Conditions may be defined in the applicable Final Terms. In the case of inconsistency between these Conditions and the applicable Final Terms, the applicable Final Terms shall prevail.

**Disrupted Day** means any Scheduled Trading Day on which the Exchange or the Related Exchange fails to open for trading during its regular trading session (which, in the case of the Related Exchange, the Calculation Agent determines is material) or on which a Market Disruption Event has occurred. The Calculation Agent shall as soon as reasonably practicable under the circumstances notify the relevant Issuer and the Agent of the occurrence of a Disrupted Day on any day that, but for the occurrence of a Disrupted Day, would have been a Valuation Date.

**Exchange** means Tokyo Stock Exchange, Inc., which expression shall include any successor as the Exchange.

**Exchange Business Day** means any Scheduled Trading Day on which each of the Exchange and the Related Exchange are open for trading during their respective regular trading sessions, notwithstanding the Exchange or the Related Exchange closing prior to its Scheduled Closing Time.

**Index** means the Nikkei Stock Average, an index of 225 selected stocks listed on the first section of the Exchange, which is currently calculated and sponsored by Nikkei Digital Media, Inc. (together with Nikkei, Inc., the **Index Sponsor**, which term shall include any agents or other persons acting on behalf of such person) subject to (a) above.

**Market Disruption Event** means, in respect of the Index, the occurrence or existence of (i) a Trading Disruption, (ii) an Exchange Disruption, which in either case the Calculation Agent determines is material, at any time during the one hour period that ends at the Valuation Time, or (iii) an Early Closure. For the purposes of determining whether a Market Disruption Event in respect of the Index exists at any time, if a Market Disruption Event occurs in respect of a security included in the Index at any time, then the relevant percentage contribution of that security to the level of the Index shall be based on a comparison of (x) the portion of the level of the Index attributable to that security and (y) the overall level of the Index, in each case immediately before the occurrence of such Market Disruption Event.

**Trading Disruption** means any suspension of or limitation imposed on trading by the Exchange or the Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the Exchange or the Related Exchange or otherwise (A) on the Exchange relating to securities that comprise 20 per cent. or more of the level of the Index or (B) in futures or options contracts relating to the Index on the Related Exchange.

**Exchange Disruption** means any event (other than an Early Closure) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general (A) to effect transactions in, or obtain market values for, securities that comprise 20 per cent. or more of the level of the Index on the Exchange or (B) to effect transactions in, or obtain market values for, futures or options contracts relating to the Index on the Related Exchange.

**Early Closure** means the closure on any Exchange Business Day of the Exchange or the Related Exchange prior to its Scheduled Closing Time unless such earlier closing time is announced by the Exchange or the Related Exchange at least one hour prior to the earlier of (A) the actual closing time for the regular trading session on the Exchange or the Related Exchange on such Exchange Business Day and (B) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the Valuation Time on such Exchange Business Day.

**Reference Period** means the period specified in the applicable Final Terms. If any Scheduled Trading Day during the Reference Period (other than the Valuation Date) is a Disrupted Day, then the Calculation Agent may (but is not required to), subject to (a) above, determine the level of the Index at such time on that Scheduled Trading Day in accordance with the formula for and method of calculating the Index last in effect prior to the occurrence of the Disrupted Day using the price on the Exchange (or if trading in a relevant security has been materially limited or suspended, its good faith estimate of the price that would have prevailed on the Exchange but for that suspension or limitation) as of any relevant time on that Scheduled Trading Day of each security comprising the Index.

**Related Exchange** means Osaka Securities Exchange Co., Ltd., which expression shall include any successor as the Related Exchange.

**Scheduled Closing Time** means, in respect of the Exchange or the Related Exchange and a Scheduled Trading Day, the scheduled weekday closing time of the Exchange or the Related Exchange on such Scheduled Trading Day, without regard to after hours or any other trading outside of the regular trading session hours.

**Scheduled Trading Day** means any day on which both the Exchange and the Related Exchange are scheduled to be open for trading for their respective regular trading sessions.

**Valuation Date** means the date specified as such in the applicable Final Terms or, if such date is not a Scheduled Trading Day, the first succeeding day which is a Scheduled Trading Day. If any Valuation Date is a Disrupted Day, then the Valuation Date shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless the Calculation Agent determines that each of the eight Scheduled Trading Days immediately following the original date that, but for an event causing a Disrupted Day, would have been the Valuation Date, is a Disrupted Day. In that case, (i) that eighth Scheduled Trading Day shall be deemed to be the Valuation Date, notwithstanding the fact that such day is a Disrupted Day, and (ii) the Calculation Agent shall determine the level of the Index as of the Valuation Time (or any other time specified in the applicable Final Terms) on that eighth Scheduled Trading Day in accordance with (subject to (a) above) the formula for and method of calculating the Index last in effect prior to the occurrence of the first Disrupted Day using the Exchange traded or quoted price as of the Valuation Time (or any other time specified in the applicable Final Terms) on that eighth Scheduled Trading Day of each security comprised in the Index (or, if an event giving rise to a Disrupted Day has occurred in respect of the relevant security on that eighth Scheduled Trading Day, its good faith estimate of the value for the relevant security as of the Valuation Time (or any other time specified in the applicable Final Terms) on that eighth Scheduled Trading Day).

**Valuation Time** means the Scheduled Closing Time on the Exchange on the Valuation Date. If the Exchange closes prior to its Scheduled Closing Time, the Valuation Time shall be the actual closing time for its regular trading session.

7. **Provisions Related to Foreign Exchange Linked Notes**

Unless otherwise specified, paragraphs (a) and (b) below shall apply to all Foreign Exchange Linked Notes.

(a) **Provisions related to Foreign Exchange Linked Notes**

If the foreign exchange rate is to be determined on the basis of an FX Page, such rate shall be the Spot Exchange Rate of the Currency Pair, expressed as a number of the First Currency per Specified Unit of the Second Currency, that appears on the FX Page as of the FX Rate Determination Time on the relevant FX Rate Determination Date. If such rate does not appear on the FX Page or such FX Page is not available at the relevant time, the foreign exchange rate shall be the Spot Exchange Rate of the Currency Pair, expressed as a number of the First Currency per Specified Unit of the Second Currency, that appears on the Fallback FX Page as of the FX Rate Determination Time on the relevant FX Rate Determination Date. If such rate does not appear on the Fallback FX Page or such Fallback FX Page is not available at the relevant time, the relevant Spot Exchange Rate of the Currency Pair shall be determined by the Calculation Agent in its discretion acting in good faith, having taken into account relevant market practice.

(b) **Interpretation and Definitions**

In these Conditions, the following terms shall have the meanings given or referred to below. Other terms used in these Conditions may be defined in the applicable Final Terms. In the case of inconsistency between these Conditions and the applicable Final Terms relating to the Notes, the applicable Final Terms shall prevail.

**Fallback FX Page** means such page or other part of a particular information service as may be specified as such in the applicable Final Terms, or such other page or other part as may replace it on that information service or on another information service, in each case as may be nominated by the person or organisation providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to such rate.

**FX Page** means such page or other part of a particular information service as may be specified as such in the applicable Final Terms, or such other page or other part as may replace it on that information service or on another information service, in each case as may be nominated by the person or organisation providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to such rate.

8. **Payments and Deliveries**

(a) **Method of Payment**

Subject as provided below:

- (i) payments in respect of definitive Notes in a Specified Currency other than euro will be made at the option of the bearer either by credit or transfer to an account in the relevant Specified Currency maintained by the payee with, or by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars, shall be Sydney and, if the Specified Currency is New Zealand dollars, shall be Wellington and Auckland); and
- (ii) payments in respect of definitive Notes in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

(b) **Presentation of Notes, Receipts and Coupons**

Payments of principal in respect of definitive Notes will (subject as provided below) be made in the manner provided in paragraph (a) above only against presentation and surrender of definitive Notes, and payments of interest in respect of definitive Notes will (subject as provided below) be made as aforesaid only against presentation and surrender of Coupons, in

each case at the specified office of any Paying Agent outside the United States. Payments under paragraph (a) above made, at the option of the bearer of the Note or Coupon, by cheque shall be mailed or delivered to an address outside the United States furnished by such bearer. Subject to any applicable laws and regulations, such payments made by credit or transfer will be made in immediately available funds to an account maintained by the payee with a bank located outside the United States. Subject as provided below, no payment in respect of any definitive Note or Coupon will be made upon presentation and surrender of such definitive Note or Coupon at any office or agency of the relevant Issuer or any Paying Agent in the United States, nor will any such payment be made by transfer to an account, or by mail to an address, in the United States.

Payments of instalments of principal (if any), other than the final instalment, will (subject as provided below) be made in the manner provided in paragraph (a) above against presentation and surrender of the relevant Receipt. Payment of the final instalment will be made in the manner provided in paragraph (a) above against presentation and surrender of the relevant definitive Note. Each Receipt must be presented for payment of the relevant instalment together with the definitive Note to which it appertains, against which the amount payable in respect of the relevant instalment will be paid. Unmatured Receipts and Receipts presented without the definitive Note to which they appertain do not constitute valid obligations of the relevant Issuer. Upon the date on which any definitive Note becomes due and repayable, unmaturing Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Notes in definitive form (other than Dual Currency Notes, Equity Linked Notes, Index Linked Notes, Credit Linked Notes, Foreign Exchange Linked Notes or Other Notes) should be presented for payment together with all unmaturing Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmaturing Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmaturing Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against presentation and surrender of the relative missing Coupon at any time before the expiry of ten years after the Relevant Date (as defined in Condition 10) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 11) or, if later, five years from the date on which such Coupon would otherwise have become due. Upon any Fixed Rate Note becoming due and repayable prior to its Maturity Date, all unmaturing Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, Dual Currency Note, Equity Linked Note, Index Linked Note, Credit Linked Note, Foreign Exchange Linked Notes or Other Note in definitive form becomes due and repayable, unmaturing Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof.

If the due date for redemption of any definitive Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against presentation and surrender of the relevant definitive Note.

**(c) Payments in respect of Global Notes**

Payments of principal and interest (if any) in respect of Notes represented by any Global Note will (subject as provided below) be made in the manner specified above in relation to definitive Notes and otherwise in the manner specified in the relevant Global Note against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent outside the United States, subject as provided below. A record of each payment made against presentation or surrender of such Global Note, distinguishing between any payment of principal and any payment of interest, will be made on such Global Note by such Paying Agent and such record shall be prima facie evidence that the payment in question has been made.

(d) **General Provisions applicable to Payments**

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the relevant Issuer and, in the case of Guaranteed Notes only, the Guarantor(s), will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the relevant Issuer or the Guarantor(s), (in the case of Guaranteed Notes) to, or to the order of, the holder of such Global Note. No person other than the holder of such Global Note shall have any claim against the relevant Issuer or the Guarantor(s), (in the case of Guaranteed Notes) in respect of any payments due in respect of that Global Note.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 10.

Notwithstanding the foregoing, U.S. dollar payments of principal and/or interest in respect of the Notes will be made at the specified office of a Paying Agent in the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia; its territories, its possessions and other areas subject to its jurisdiction)) if:

- (i) the relevant Issuer and, in the case of Guaranteed Notes only, the Guarantor(s), have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Notes in the manner provided above when due;
- (ii) payment in U.S. dollars of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
- (iii) such payment is then permitted under United States law without involving, in the opinion of the relevant Issuer and, in the case of Guaranteed Notes only, the Guarantor(s), adverse tax consequences to the relevant Issuer or the Guarantor(s) (in the case of Guaranteed Notes).

(e) **Payment Day**

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to any further interest or other payment in respect of such delay. For these purposes, **Payment Day** means any day which is both:

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
  - (A) the relevant place of presentation;
  - (B) London; and
  - (C) each Additional Financial Centre specified in the applicable Final Terms; and
- (ii) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than the place of presentation, London and any Additional Financial

Centre and which, if the Specified Currency is Australian dollars, shall be Sydney and, if the Specified Currency is New Zealand dollars, shall be Wellington and Auckland) or (2) in relation to any sum payable in euro, a day on which the TARGET2 System (or any successor thereto) is open.

(f) **Interpretation of Principal and Interest**

Any reference in these Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- (i) any additional amounts which may be payable with respect to principal under Condition 10;
- (ii) the Final Redemption Amount of the Notes;
- (iii) the Early Redemption Amount of the Notes;
- (iv) the Optional Redemption Amount(s) (if any) of the Notes;
- (v) in relation to Instalment Notes, the Instalment Amounts;
- (vi) in relation to Zero Coupon Notes, the Amortised Face Amount; and
- (vii) any premium and any other amounts (other than interest) which may be payable by the relevant Issuer under or in respect of the Notes.

Any reference in these Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 10.

(g) **Deliveries**

If, in respect of any Note, any amount of principal and/or interest is to be settled by the delivery of an asset other than by the payment of cash, the relevant provisions dealing with such delivery will be set out in the applicable Final Terms.

9. **Redemption and Purchase**

(a) **At Maturity**

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the relevant Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms in the relevant Specified Currency on the Maturity Date.

(b) **Redemption for Tax Reasons**

The Notes may be redeemed at the option of the relevant Issuer in whole, but not in part, at any time (in the case of Notes other than Floating Rate Notes, Equity Linked Interest Notes, Index Linked Interest Notes, Foreign Exchange Linked Interest Notes and Dual Currency Interest Notes) or (unless otherwise specified in the applicable Final Terms) on any Interest Payment Date (in the case of Floating Rate Notes, Equity Linked Interest Notes, Index Linked Interest Notes, Foreign Exchange Linked Interest Notes and Dual Currency Interest Notes), on giving not less than 30 nor more than 60 days' notice (or such other period of notice as is specified in the applicable Final Terms) to the Noteholders in accordance with Condition 16 (which notice shall be irrevocable), if:

- (i) on the occasion of the next payment due under the Notes, the relevant Issuer (or, if payment under the Guarantee were required to be made, the Guarantor(s)) has or will become obliged either to pay additional amounts as provided or referred to in Condition 10 or to account to any taxing authority in the relevant Issuer's Jurisdiction or, as the case may be, the Guarantors' Jurisdiction for any amount (other than tax withheld or deducted from interest payable on such Notes) in respect of such payment



in each case as a result of any change in, or amendment to, the laws or regulations of the relevant Issuer's Jurisdiction or, as the case may be, the Guarantors' Jurisdiction or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date of the first Tranche of the Notes; and

- (ii) such obligation cannot be avoided by the relevant Issuer (or the Guarantor(s)) taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days (or such lesser period as specified in the applicable Final Terms) prior to the earliest date on which the relevant Issuer (or the Guarantor(s)) would be obliged to pay such additional amounts or make a payment in respect of which it would be obliged to account to any taxing authority as aforesaid were a payment in respect of the Notes (or the Guarantee, as the case may be) then due.

Prior to the publication of any notice of redemption pursuant to this paragraph, the relevant Issuer shall deliver to the Agent a certificate signed by one managing director of the relevant Issuer (or a Representative Executive Officer of the Guarantor(s)) stating that the relevant Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the relevant Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the relevant Issuer (or the Guarantor(s)) has or will become obliged to pay such additional amounts or to account to any taxing authority as aforesaid as a result of such change or amendment.

Each Note redeemed pursuant to this Condition 9(b) will be redeemed at its Early Redemption Amount referred to in paragraph (f) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

(c) **Redemption at the Option of the Issuer (Issuer Call)**

If Issuer Call is specified in the applicable Final Terms, the relevant Issuer may, having given:

- (i) not less than 15 nor more than 30 days' notice (or such other period of notice as specified in the applicable Final Terms) to the Noteholders in accordance with Condition 16; and
- (ii) not less than 15 days before the giving of the notice referred to in (i), notice to the Agent

(which notices shall be irrevocable), redeem all or some only of the Notes then outstanding on the Optional Redemption Date(s) and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date(s). Any such redemption must be of a nominal amount not less than any Minimum Redemption Amount and not more than any Maximum Redemption Amount indicated in the applicable Final Terms. In the case of a partial redemption of Notes, the Notes to be redeemed (the **Redeemed Notes**) will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg, (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion) in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the **Selection Date**). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 16 not less than 15 days prior to the date fixed for redemption. No exchange of the relevant Global Note will be permitted during the period from and including the Selection Date to and including the date fixed for redemption pursuant to this paragraph (c) and notice to that effect shall be given by the relevant Issuer to the Noteholders in accordance with Condition 16 at least five days prior to the Selection Date.

(d) **Redemption at the Option of the Noteholders (Investor Put)**

If Investor Put is specified in the applicable Final Terms, upon the holder of any Note giving to the relevant Issuer in accordance with Condition 16 not less than 15 nor more than 30 days' notice or such other period of notice as is specified in the applicable Final Terms (which notice shall be irrevocable), the relevant Issuer will, upon the expiry of such notice, redeem (subject to, and in accordance with, the terms specified in the applicable Final Terms) in whole (but not in part) such Note on the Optional Redemption Date and at the Optional Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date. The exercise of an Investor Put may be subject to the satisfaction of certain conditions and/or circumstances. Where relevant, the provisions will be set out in the applicable Final Terms.

To exercise the right to require redemption of this Note, the holder of this Note must, if this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver, at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the notice period, a duly signed and completed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (a **Put Notice**) and in which the holder must specify a bank account (or, if payment is to be made by cheque, an address) to which payment is to be made under this Condition accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control.

If this Note is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depositary, or common safekeeper, as the case may be, or common service provider for them to the Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time and, if this Note is represented by a Global Note, at the same time present or procure the presentation of the relevant Global Note to the Agent for notation accordingly.

Any Put Notice or other notice given by a holder of any Note pursuant to this paragraph (d) shall be irrevocable except where prior to the due date of redemption an Event of Default (as defined in Condition 12) shall have occurred and be continuing in which event such holder, at its option, may elect by notice to the relevant Issuer to withdraw the notice given pursuant to this paragraph (d) and instead to declare such Note forthwith due and payable pursuant to Condition 12.

(e) **Redemption upon a Regulatory Event**

The Notes may be redeemed at the option of the relevant Issuer in whole, but not in part, any time, on giving not less than 30 nor more than 60 days' notice (or such other period of notice as set out in the applicable Final Terms) to Noteholders in accordance with Condition 16 (which notice shall be irrevocable), in the event that a change in applicable law or regulation occurs that results, or will result, solely by reason of the Notes being outstanding, in the relevant Issuer being required to be regulated by any additional jurisdiction or regulatory authority, or being subject to any additional legal requirement or regulation considered by the relevant Issuer to be materially onerous to it.

Each Note redeemed pursuant to this Condition 9(e) will be redeemed at its Early Redemption Amount referred to in paragraph (f) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

(f) **Early Redemption Amounts**

For the purpose of paragraphs (b) and (e) above and Condition 12, each Note will be redeemed at its Early Redemption Amount calculated as follows:

- (i) in the case of a Note (other than an Equity Linked Redemption Note or Index Linked Redemption Note) with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof; or
- (ii) in the case of a Note (other than a Zero Coupon Note but including an Equity Linked Redemption Note, Index Linked Redemption Note, Credit Linked Note, Instalment Note and a Partly Paid Note) with a Final Redemption Amount which is or may be less than or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Note is denominated, at the amount specified in, or determined in the manner specified in, the applicable Final Terms or, if no such amount or manner is so specified in the Final Terms, at its nominal amount; or
- (iii) in the case of a Zero Coupon Note, at an amount (the **Amortised Face Amount**) equal to the sum of:
  - (A) the Reference Price; and
  - (B) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable.

Where such calculation is to be made for a period which is not a whole number of years, it shall be made on the basis of a 360-day year consisting of 12 months of 30 days each or on such other calculation basis as may be specified in the applicable Final Terms.

(g) **Instalment Notes**

Instalment Notes (as defined in the applicable Final Terms) will be redeemed in the Instalment Amounts and on the Instalment Dates. In the case of early redemption, the Early Redemption Amount will be determined pursuant to paragraph (f) above.

(h) **Partly Paid Notes**

Partly Paid Notes (as defined in the applicable Final Terms) will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the applicable Final Terms.

(i) **Purchases**

The relevant Issuer, the Guarantor(s) or any Subsidiary may at any time purchase Notes (provided that, in the case of definitive Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the relevant Issuer, surrendered to any Paying Agent for cancellation.

**Subsidiary** for the purposes of this Condition 9(i) means any company which is a subsidiary (as defined in Section 736 of the Companies Act 1985) of the relevant Issuer or the Guarantor(s).

(j) **Cancellation**

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and any Notes purchased and cancelled pursuant to paragraph (i) above (together with all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Agent and cannot be reissued or resold.

Cancellation of any Note represented by a Permanent Global Note that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount of the relevant Permanent Global Note.

(k) **Late Payment on Zero Coupon Notes**

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to paragraph (a), (b), (c), (d) or (e) above or upon its becoming due and repayable as provided in Condition 12 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in paragraph (f)(iii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

- (i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (ii) five days after the date on which the full amount of the moneys payable has been received by the Agent and notice to that effect has been given to the Noteholder either in accordance with Condition 16 or individually.

(l) **Equity Linked Redemption Notes**

Provisions relating to the terms of any Equity Linked Redemption Notes, including the redemption thereof, will be set out in the applicable Final Terms.

(m) **Credit Linked Notes**

If the Final Terms specifies that the Notes are Credit Linked Notes, the amount of principal and interest payable by the relevant Issuer in respect of such Notes, and the date of redemption of the Notes, is dependent on whether one or more credit events in respect of one or more reference entities, as specified in the applicable Final Terms, has occurred. The specific provisions relating to the terms of any Credit Linked Notes, including the redemption thereof, will be set out in the applicable Final Terms.

(n) **Index Linked Redemption Notes**

Provision relating to the terms of any Index Linked Redemption Notes, including the redemption thereof, will be set out in the applicable Final Terms.

(o) **Foreign Exchange Linked Redemption Notes**

Provision relating to the terms of any Foreign Exchange Linked Redemption Notes, including the redemption thereof, will be set out in the applicable Final Terms.

(p) **Exchangeable Notes**

In the case of Exchangeable Notes which are redeemable by delivery to the Settlement Agent of shares or other securities or a combination of such shares or securities and cash, on such terms as are specified in the applicable Final Terms, any relevant amendments to the Conditions will be set out in the applicable Final Terms.

10. **Taxation**

All payments of principal and interest in respect of the Notes, Receipts and Coupons by the relevant Issuer or, in the case of Guaranteed Notes, under the Guarantee by the Guarantor(s), shall be made free and clear of, and without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the relevant Issuer's Jurisdiction (in the case of the Issuers) or the Guarantors' Jurisdiction (in the case of the Guarantors) or, in either case, any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In such event, the relevant Issuer, or as the case may be, the Guarantor(s), will (save as may be provided in the applicable Final Terms) pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes, Receipts or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would

otherwise have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

- (i) presented for payment by or on behalf of a Noteholder, Receiptholder or Couponholder, (x) in the case of payments made by the relevant Issuer, who is liable for such taxes, duties, assessments or governmental charges in respect of such Note, Receipt or Coupon by reason of his having some connection with the relevant Issuer's Jurisdiction or (y) in the case of payments made by the Guarantor(s), under the Guarantee, (a) who is, for tax purposes in the Guarantors' Jurisdiction, treated as a resident of the Guarantor's Jurisdiction or as a corporation incorporated in the Guarantors' Jurisdiction or (b) who is otherwise subject to such taxes, duties, assessment or governmental charges by reason of being connected with the Guarantors' Jurisdiction, in each case, other than a connection by the mere holding of such Note, Receipt or Coupon; or
- (ii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (iii) presented for payment by or on behalf of a holder who would be able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union; or
- (iv) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day; or
- (v) presented for payment in the relevant Issuer's Jurisdiction or in the Guarantors' Jurisdiction.

As used herein, the **Relevant Date** means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 16.

#### 11. **Prescription**

The Notes, Receipts and Coupons (if any) will become void unless presented for payment within a period of ten years (in the case of payments of principal and/or delivery of any asset) and five years (in the case of interest) after the Relevant Date therefor.

There shall be no prescription period for Talons but there shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 8(b) or any Talon which would be void pursuant to Condition 8(b).

#### 12. **Events of Default and Enforcement relating to Notes**

If any one or more of the following events (each an **Event of Default**) shall have occurred and be continuing namely:

- (i) default for seven days in payment when due of amounts payable in respect of principal of any of the Notes or in the delivery of any securities due in respect of any of the Notes; or
- (ii) default for 14 days in payment of interest due on any of the Notes; or
- (iii) failure by the relevant Issuer or any relevant Guarantor (in the case of Guaranteed Notes) to observe or perform any other covenant or agreement of the relevant Issuer or

such relevant Guarantor (in the case of Guaranteed Notes), as the case may be, in the Notes or the Guarantee (if applicable) or any covenant or agreement for the benefit of the Noteholders in the Agency Agreement continuing, in each case for 30 days after written notice shall have been given to the relevant Issuer and such relevant Guarantor (either directly or through the Agent) by any Noteholder requesting the Issuer or such relevant Guarantor, as the case may be, to remedy such default; or

- (iv) any indebtedness for borrowed money other than the Notes having an aggregate outstanding principal amount of at least U.S.\$5,000,000 (or its equivalent in any other currency or currencies) of the relevant Issuer or any relevant Guarantor (in the case of Guaranteed Notes) becomes prematurely repayable following a default, or steps are taken to enforce any security therefor, or the relevant Issuer or any relevant Guarantor (in the case of Guaranteed Notes) defaults in the repayment of any such indebtedness at the maturity thereof or at the expiration of any applicable grace period therefor (or in the case of such indebtedness due on demand, defaults in the payment of such indebtedness at the expiration of three business days after demand therefor or, if longer, any applicable grace period therefor) or any guarantee of or indemnity in respect of any indebtedness for borrowed money of others having a principal amount or aggregate principal amount for the time being outstanding of at least U.S.\$5,000,000 (or its equivalent in any other currency or currencies) given by the relevant Issuer or any relevant Guarantor (in the case of Guaranteed Notes) shall not be honoured when due and called upon at the expiration of any applicable grace period; or
- (v) a decree or order by a court having jurisdiction in the premises shall have been entered adjudging the relevant Issuer or any relevant Guarantor (in the case of Guaranteed Notes) bankrupt or insolvent or approving as properly filed a petition seeking reorganisation of the relevant Issuer or any relevant Guarantor (in the case of Guaranteed Notes) under any applicable bankruptcy, insolvency or reorganisation law of the relevant Issuer's Jurisdiction or the Guarantors' Jurisdiction (if applicable) and such decree or order shall have continued undischarged and unstayed for a period of 60 days; or a decree or order of a court having jurisdiction in the premises for the appointment of a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of the relevant Issuer or any relevant Guarantor (in the case of Guaranteed Notes) or of all or substantially all of the property of the relevant Issuer or such Guarantor (in the case of Guaranteed Notes) or for the winding-up or liquidation of the affairs of the relevant Issuer or any relevant Guarantor (in the case of Guaranteed Notes) shall have been entered under any applicable bankruptcy, insolvency or reorganisation law of the relevant Issuer's Jurisdiction or the Guarantors' Jurisdiction (if applicable) and such decree or order shall have continued undischarged and unstayed for a period of 60 days; or
- (vi) the relevant Issuer or any relevant Guarantor (in the case of Guaranteed Notes) shall institute proceedings to be adjudicated a voluntary bankrupt or shall consent to the filing of a bankruptcy proceeding against it or shall file a petition or answer or consent seeking moratorium of payments (in respect of the relevant Issuer only), reorganisation or arrangement under the applicable bankruptcy or reorganisation law of the relevant Issuer's Jurisdiction or the Guarantors' Jurisdiction (if applicable), or shall consent to the filing of any such petition, or shall consent to the appointment of a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of it or of all or substantially all of its property, or shall make an assignment for the benefit of its creditors or shall make any composition with its creditors or shall admit in writing its inability to pay its debts generally as they become due, or corporate action shall be taken by the relevant Issuer or any relevant Guarantor (in the case of Guaranteed Notes) in furtherance of any of the aforesaid purposes; or
- (vii) the relevant Issuer or any relevant Guarantor (in the case of Guaranteed Notes) shall cease to carry on the whole or substantially the whole of its business or shall dispose of the whole or a substantial part of its assets, in each case except for the purposes of or pursuant to a consolidation, amalgamation, merger or reconstruction the terms whereof have been approved by an Extraordinary Resolution of the Noteholders or except for the purposes of or pursuant to a consolidation, amalgamation, merger or reconstruction

under which the continuing entity effectively assumes the entire obligations of the relevant Issuer or such Guarantor (in the case of Guaranteed Notes) under the Notes or the Guarantee, respectively, as applicable; provided, however, that in the case of any relevant Guarantor, this paragraph shall not be applicable in the event of a reorganisation of such Guarantor as or under a holding company resulting in the cessation of the whole or substantially the whole of such Guarantor's business or the disposal of the whole or a substantial part of its assets; or

- (viii) in respect of Guaranteed Notes only, for any reason whatsoever the Guarantee (including any Guarantee to be executed by a successor Guarantor resulting from a reorganisation referred to in paragraph (vii) above) is not (or is claimed by such Guarantor not to be) in full force and effect,

then any Noteholder may, by written notice to the relevant Issuer and, in the case of Guaranteed Notes, the relevant Guarantor(s) (with a copy to the Agent for information purposes only), declare such Note held by the holder to be forthwith due and payable, whereupon the same shall become immediately due and payable at its Early Redemption Amount as described in Condition 9(f), together with accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind, unless such Event of Default shall be cured prior to receipt of such written notice by the relevant Issuer and, in the case of Guaranteed Notes, the relevant Guarantor(s).

For the purpose of paragraph (iv) above, any indebtedness for borrowed money which is in a currency other than U.S. dollars shall be translated at the "spot" rate for the sale of the relevant currency against the purchase of U.S. dollars in London as quoted by a leading bank selected by the Agent for this purpose on the day in London on which such premature repayment becomes due or, as the case may be, such default occurs (or, if for any reason such a rate is not available on that day, on the earliest possible date thereafter).

**13. Replacement of Notes, Receipts, Coupons and Talons**

Should any Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Agent, upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the relevant Issuer may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

**14. Agent, Paying Agents, Calculation Agent and Settlement Agent**

The names of the initial Agent, the other initial Paying Agents, the initial Calculation Agent and, if applicable, the initial Settlement Agent and their initial specified offices are set out below.

The relevant Issuer and, in the case of Guaranteed Notes only, the Guarantor(s), is/are entitled to vary or terminate the appointment of any Paying Agent and/or the Calculation Agent and/or the Settlement Agent and/or appoint additional or other Paying Agents, Calculation Agents or Settlement Agents and/or approve any change in the specified office through which any Paying Agent, Calculation Agent or Settlement Agent acts, provided that:

- (i) so long as the Notes are listed, quoted and/or traded on any stock exchange, competent listing authority and/or quotation system, there will at all times be a Paying Agent (which may be the Agent) with a specified office in each place as may be required by the rules and regulations of the relevant stock exchange, competent listing authority and/or quotation system;
- (ii) there will at all times be a Paying Agent in a jurisdiction within continental Europe, other than the jurisdiction in which the relevant Issuer is incorporated;
- (iii) there will at all times be a Calculation Agent in respect of any Notes for which a Calculation Agent has been appointed;

- (iv) there will at all times be an Agent and, in the case of any Exchangeable Note, Equity Linked Note or Other Note, a Settlement Agent (if required); and
- (v) there will at all times be a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to such Directive.

In addition, the relevant Issuer and the Guarantor(s) (in the case of Guaranteed Notes) shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in the final paragraph of Condition 8(d).

Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 60 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 16.

In acting under the Agency Agreement, the Agent, the other Paying Agents, the Calculation Agent and the Settlement Agent will act solely as agents of the relevant Issuer and, in the case of Guaranteed Notes only, the Guarantor(s), and will not assume any obligations or relationships of agency or trust to or with the Noteholders, the Receiptholders and the Couponholders, except that (without affecting the obligations of the relevant Issuer or, as the case may be, any Guarantor to the Noteholders, the Receiptholders and the Couponholders to repay the Notes and to pay interest thereon) funds received by the Agent and the other Paying Agents for the payment of any sums due in respect of the Notes shall be held by them on behalf of the Noteholders, the Receiptholders and the Couponholders until the expiry of the relevant period of prescription under Condition 11. The Agency Agreement contains provisions for the indemnification of the Agent, the Paying Agents, the Calculation Agent and the Settlement Agent and for their relief from responsibility in certain circumstances, and entitles any of them to enter into business transactions with the relevant Issuer and any Guarantor without being liable to account to the Noteholders, the Receiptholders or the Couponholders for any resulting profit. The Agency Agreement also contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

#### 15. **Exchange of Talons**

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 11. Each Talon shall, for the purposes of these Conditions, be deemed to mature on the Interest Payment Date on which the final Coupon comprised in the relative Coupon sheet matures.

#### 16. **Notices**

All notices regarding the Notes shall be valid if published (i) in a leading English language daily newspaper of general circulation in London and (ii) if and for so long as the Notes are listed on the Luxembourg Stock Exchange, in a daily newspaper of general circulation in Luxembourg or on the Luxembourg Stock Exchange's website ([www.bourse.lu](http://www.bourse.lu)). It is expected that such publication will be made in the *Financial Times* in London and on the Luxembourg Stock Exchange's website in Luxembourg. The relevant Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange, competent listing authority and/or quotation system (or any other relevant authority) on or by which the Notes are for the time being listed, quoted and/or traded. Any such notice will be deemed to have been given on the date of publication or, if published more than once or if required to be published in more than one newspaper, on the date of the first publication in all the required newspapers.



Until such time as any definitive Notes are issued, there may, so long as the Global Note(s) is or are held in its or their entirety on behalf of Euroclear and Clearstream, Luxembourg, be substituted for such publication in such newspapers the delivery of the relevant notice to Euroclear and Clearstream, Luxembourg for communication by them to the holders of the Notes provided that, if and for so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, publication is made in Luxembourg as required by the preceding paragraph. Any such notice shall be deemed to have been given to the Noteholders on the day on which the said notice was given to Euroclear and Clearstream, Luxembourg.

There may, so long as the Global Note(s) is or are held in its or their entirety by Nomura Bank (Luxembourg) S.A. (NBL), be substituted for such publication in London in such newspaper the delivery of the relevant notice to NBL for communication by it to the holders of the Notes provided that, if and for so long as the Notes are listed on the Luxembourg Stock Exchange, publication is made in Luxembourg as required above. Any such notice shall be deemed to have been given to the holders of the Notes on the third day after the day on which the said notice was given to NBL.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together with the relative Note or Notes, with the Agent or, where the Notes are deposited with NBL, with NBL. Whilst any of the Notes are represented by a Global Note, such notice may be given by any Noteholder to the Agent via Euroclear and/or Clearstream, Luxembourg, as the case may be, or, where the Notes are deposited with NBL, NBL, in such manner as the Agent and Euroclear and/or Clearstream, Luxembourg or NBL, as the case may be, may approve for this purpose.

#### 17. **Meetings of Noteholders, Modification and Waiver**

The Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Receipts, the Coupons or certain provisions of the Agency Agreement. Such a meeting may be convened by the relevant Issuer, the (or either) Guarantor, as the case may be, (in the case of Guaranteed Notes) or by Noteholders holding not less than 10 per cent. in nominal amount of the Notes of any Series for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes, Receipts or Coupons (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes, altering any provisions relating to the delivery of any asset (if applicable) on redemption of an Exchangeable Note, Equity Linked Redemption Note or altering the currency of payment of the Notes, Receipts or Coupons) or certain of the provisions of the Agency Agreement, the necessary quorum for passing an Extraordinary Resolution will be one or more persons holding or representing not less than two-thirds, or at any adjourned such meeting not less than one-third, in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Receiptholders and Couponholders.

The Agent, the relevant Issuer and the Guarantor(s), (in the case of Guaranteed Notes) may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to:

- (i) any modification (except as mentioned above) of the Notes, the Receipts, the Coupons, the Agency Agreement, the Deed of Covenant and/or the Guarantee (in the case of Guaranteed Notes) which is not (in the opinion of the relevant Issuer and Guarantor(s), in the case of Guaranteed Notes) materially prejudicial to the interests of the Noteholders (without considering the individual circumstances of any holders of the

Notes or the tax or other consequences of such adjustment in any particular jurisdiction; or

- (ii) any modification of the Notes, the Receipts, the Coupons, the Agency Agreement, the Deed of Covenant and/or the Guarantee which (in the opinion of the relevant Issuer and Guarantor(s), in the case of Guaranteed Notes) is of a formal, minor or technical nature or is made to correct a manifest or proven error or to comply with mandatory provisions of any applicable laws.

Any such modification shall be binding on the Noteholders, the Receiptholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 16 as soon as practicable thereafter.

18. **Further Issues**

The relevant Issuer shall be at liberty from time to time without the consent of the Noteholders, Receiptholders or Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount, issue price and date of the first payment of interest thereon and so that the same shall be consolidated and form a single series with the outstanding Notes.

19. **Contracts (Rights of Third Parties) Act 1999**

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Note, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

20. **Substitution**

(I) **Substitution of the Issuer**

(a) **Conditions precedent to Substitution of the Issuer**

The relevant Issuer may, without the consent of the Noteholders, be replaced and substituted by the Substituted Debtor (as defined below) in respect of the Notes provided that:

- (i) a deed poll (the **Deed Poll**) in or substantially in the form set out in Schedule 5 to the Agency Agreement and such other documents (if any) shall be executed by the Substituted Debtor and the Guarantor(s) (in the case of Guaranteed Notes) as may be necessary to give full effect to the substitution (together with the Deed Poll, the **Documents**) and (without limiting the generality of the foregoing) pursuant to which the Substituted Debtor shall undertake in favour of each Noteholder to be bound by these Conditions (as amended in the manner provided in paragraph (b) below) and the provisions of the Agency Agreement and the Deed of Covenant as fully as if the Substituted Debtor had been named in the Notes, the Agency Agreement and the Deed of Covenant as the principal debtor in respect of the Notes in place of the relevant Issuer (or any previous Substituted Debtor) and pursuant to which the Guarantor(s) (in the case of Guaranteed Notes) shall unconditionally and irrevocably guarantee in favour of each Noteholder the payment of all sums payable by and/or delivery obligations in respect of such Guaranteed Notes of the Substituted Debtor as such principal debtor;
- (ii) the Documents shall contain a warranty and representation by:
  - (I) the Substituted Debtor:
    - (A) that it has obtained all necessary corporate, governmental and regulatory approvals and consents for such substitution and for the performance by it of its obligations under the Documents and that all such approvals and consents are in full force and effect; and

- (B) that the obligations assumed by it under the Documents are all legal, valid and binding in accordance with their respective terms; and
- (II) the Guarantor(s) (in respect of Notes guaranteed by it/them and the guarantee given by it/them pursuant to the Deed Poll):
  - (A) that the Guarantor(s) has/have obtained all necessary corporate, governmental and regulatory approvals and consents for the giving of such guarantee and the performance by the Guarantor(s) of its/their obligations under the Documents and that all such approvals and consents are in full force and effect; and
  - (B) that the obligations assumed by the Guarantor(s) under the Documents and the guarantee are all legal, valid and binding in accordance with their respective terms;
- (iii) each (if any) stock exchange, competent listing authority and/or quotation system which has the Notes listed thereon shall have confirmed that following the proposed substitution of the Substituted Debtor the Notes would continue to be listed, quoted and/or traded on such stock exchange, competent listing authority and/or quotation system;
- (iv) the relevant Issuer and the Substituted Debtor, as the case may be, shall have delivered to the Agent for its safekeeping or procured the delivery to the Agent for its safekeeping of a legal opinion addressed to the Dealers from a leading firm of English lawyers acting for the relevant Issuer, to the effect that the Documents constitute legal, valid and binding obligations of the relevant Issuer and the Substituted Debtor under English law, such opinion to be dated not more than seven days prior to the date of substitution of the Substituted Debtor for the relevant Issuer and to be available for inspection by Noteholders at the specified office of the Agent;
- (v) the relevant Issuer shall have delivered to the Agent for its safekeeping or procured the delivery to the Agent for its safekeeping of a legal opinion addressed to the Dealers from a leading firm of lawyers from the relevant Issuer's Jurisdiction acting for the relevant Issuer, to the effect that the relevant Issuer has the capacity and authority to enter into the Documents under the laws of the relevant Issuer's Jurisdiction and, where the relevant Issuer's Jurisdiction is other than England, that the Documents constitute legal, valid and binding obligations of the relevant Issuer under such laws, such opinion to be dated not more than seven days prior to the date of substitution of the Substituted Debtor for the relevant Issuer and to be available for inspection by Noteholders at the specified office of the Agent;
- (vi) the Substituted Debtor shall have delivered to the Agent for its safekeeping or procured the delivery to the Agent for its safekeeping of a legal opinion addressed to the Dealers from a leading firm of lawyers from the jurisdiction of the Substituted Debtor (the **Substituted Debtor's Jurisdiction**) acting for the Substituted Debtor, to the effect that the Substituted Debtor has the capacity and authority to enter into the Documents under the laws of the Substituted Debtor's Jurisdiction and, where the Substituted Debtor's Jurisdiction is other than England, that the Documents constitute legal, valid and binding obligations of the relevant Substituted Debtor under such laws, such opinion to be dated not more than seven days prior to the date of substitution of the Substituted Debtor for the relevant Issuer and to be available for inspection by Noteholders at the specified office of the Agent;
- (vii) in the case of Guaranteed Notes, the Guarantor(s) shall have delivered to the Agent for its safekeeping or procured the delivery to the Agent for its safekeeping of a legal opinion addressed to the Dealers from a leading firm of English lawyers acting for the Guarantor(s), to the effect that the Documents (including the guarantee given by the Guarantor(s) in respect of the Substituted Debtor) constitute legal, valid and binding obligations of the Guarantor(s), under English law, such opinion to be dated not more than seven days prior to the date of substitution of the Substituted Debtor for the

relevant Issuer and to be available for inspection by Noteholders at the specified office of the Agent;

- (viii) in the case of Guaranteed Notes, the Guarantor(s) shall have delivered to the Agent for its safekeeping or procured the delivery to the Agent for its safekeeping of a legal opinion addressed to the Dealers from a leading firm of lawyers from the Guarantors' Jurisdiction acting for the Guarantor(s), to the effect that the Guarantor(s) has/have the capacity and authority to enter into the Documents (including the guarantee given by the Guarantor(s), in respect of the Substituted Debtor) under the laws of the Guarantors' Jurisdiction and, where the Guarantors' Jurisdiction is other than England, that the Documents constitute legal, valid and binding obligations of the Guarantor(s), under such laws, such opinion to be dated not more than seven days prior to the date of substitution of the Substituted Debtor for the relevant Issuer and to be available for inspection by Noteholders at the specified office of the Agent; and
- (ix) there is no outstanding Event of Default in respect of the Notes.

(b) **Assumption by Substituted Debtor**

Upon the execution of the Documents as referred to in paragraph (a) above, the Substituted Debtor shall be deemed to be named in the Notes as the principal debtor in place of the relevant Issuer (or of any previous Substituted Debtor) and the Notes shall thereupon be deemed to be amended to give effect to the substitution. The execution of the Documents shall operate to release the relevant Issuer as issuer (or such previous Substituted Debtor) from all of its obligations as principal debtor in respect of the Notes.

(c) **Deposit of Documents**

The Documents shall be deposited with and held by the Agent for so long as any Note remains outstanding and for so long as any claim made against the Substituted Debtor or, in the case of Guaranteed Notes, any Guarantor by any Noteholder in relation to the Notes or the Documents shall not have been finally adjudicated, settled or discharged. The Substituted Debtor and, in the case of Guaranteed Notes, the Guarantor(s), shall acknowledge in the Documents the right of every Noteholder to the production of the Documents for the enforcement of any of the Notes or the Documents.

(d) **Notice of Substitution**

Not later than 15 days after the execution of the Documents, the Substituted Debtor shall give notice thereof to the Noteholders in accordance with Condition 16.

(e) **Substituted Debtor**

Substituted Debtor means any company which is substantially similar to the relevant Issuer which is 100 per cent. directly or indirectly owned by NHI.

(II) **Substitution of a Guarantor**

(a) **Conditions precedent to Substitution of a Guarantor**

In respect of Guaranteed Notes, any Guarantor may, without the consent of the Noteholders, be replaced and substituted by a Substituted Guarantor (as defined below) in respect of such Notes provided that:

- (i) such substitution shall only occur pursuant to a reorganisation of or within the group of companies consisting of NHI and its consolidated subsidiaries;
- (ii) such documents shall be executed by the Substituted Guarantor as may be necessary to give full effect to the substitution (the **Guarantor Substitution Documents**) and (without limiting the generality of the foregoing) pursuant to which the Substituted Guarantor shall undertake in favour of each Noteholder to be bound by these Conditions (as amended in the manner provided in paragraph (b) below) and the

provisions of the Agency Agreement as fully as if the Substituted Guarantor had been named in the Notes and the Agency Agreement as the guarantor in respect of such Notes in place of the relevant Guarantor (or any previous Substituted Guarantor);

- (iii) the Guarantor Substitution Documents shall contain a warranty and representation by the Substituted Guarantor:
  - (A) that it has obtained all necessary corporate, governmental and regulatory approvals and consents for such substitution and for the performance by it of its obligations under the Guarantor Substitution Documents and that all such approvals and consents are in full force and effect; and
  - (B) that the obligations assumed by it under the Guarantor Substitution Documents are all legal, valid and binding in accordance with their respective terms;
- (iv) each (if any) stock exchange, competent listing authority and/or quotation system which has such Notes listed thereon shall have confirmed that following the proposed substitution of the Substituted Guarantor such Notes would continue to be listed, quoted and/or traded on such stock exchange, competent listing authority and/or quotation system;
- (v) the relevant Guarantor and the Substituted Guarantor, as the case may be, shall have delivered to the Agent for its safekeeping or procured the delivery to the Agent for its safekeeping of legal opinions addressed to the Dealers from:
  - (a) a leading firm of English lawyers acting for the relevant Guarantor, to the effect that the Guarantor Substitution Documents constitute legal, valid and binding obligations of the relevant Guarantor and the Substituted Guarantor under English law, such opinion to be dated not more than seven days prior to the date of substitution of the Substituted Guarantor for the relevant Guarantor and to be available for inspection by Noteholders at the specified office of the Agent;
  - (b) a leading firm of lawyers from the Guarantors' Jurisdiction acting for the relevant Guarantor, to the effect that the relevant Guarantor has the capacity and authority to enter into the Guarantor Substitution Documents under the laws of the Guarantors' Jurisdiction and, where the Guarantors' Jurisdiction is other than England, that the Guarantor Substitution Documents constitute legal, valid and binding obligations of the relevant Guarantor under such laws, such opinion to be dated not more than seven days prior to the date of substitution of the Substituted Guarantor for the relevant Guarantor and to be available for inspection by Noteholders at the specified office of the Agent; and
  - (c) a legal opinion from a leading firm of lawyers from the jurisdiction of the Substituted Guarantor (the **Substituted Guarantor's Jurisdiction**) acting for the Substituted Guarantor, to the effect that the Substituted Guarantor has the capacity and authority to enter into the Guarantor Substitution Documents under the laws of the Substituted Guarantor's Jurisdiction and, where the Substituted Guarantor's Jurisdiction is other than England, that the Guarantor Substitution Documents constitute legal, valid and binding obligations of the Substituted Guarantor under the relevant law, such opinion to be dated not more than seven days prior to the date of substitution of the Substituted Guarantor for the relevant Guarantor and to be available for inspection by Noteholders at the specified office of the Agent; and
- (vi) there is no outstanding Event of Default in respect of the Notes.

(b) **Assumption by Substituted Guarantor**

Upon the execution of the Guarantor Substitution Documents as referred to in paragraph (a) above, the Substituted Guarantor shall be deemed to be named in the Notes as the guarantor for such Notes in place of the relevant Guarantor (or of any previous Substituted Guarantor) and the Notes shall thereupon be deemed to be amended to give effect to the substitution. The

execution of the Guarantor Substitution Documents shall operate to release the relevant Guarantor as guarantor (or such previous Substituted Guarantor) from all of its obligations as guarantor in respect of the Notes.

(c) **Deposit of Guarantor Substitution Documents**

The Guarantor Substitution Documents shall be deposited with and held by the Agent for so long as any Note remains outstanding and for so long as any claim made against the Substituted Guarantor by any Noteholder in relation to the Notes or the Guarantor Substitution Documents shall not have been finally adjudicated, settled or discharged. The Substituted Guarantor shall acknowledge in the Guarantor Substitution Documents the right of every Noteholder to the production of the Guarantor Substitution Documents for the enforcement of any of the Notes or the Guarantor Substitution Documents.

(d) **Notice of Substitution**

Not later than 15 days after the execution of the Guarantor Substitution Documents, the Substituted Guarantor shall give notice thereof to the Noteholders in accordance with Condition 16.

(e) **Substituted Guarantor**

"**Substituted Guarantor**" means any company which is either the ultimate parent company of the relevant Issuer or a company with the same ultimate parent company as the relevant Issuer, save that in the latter case such Substituted Guarantor shall have a credit rating at least equal to that of the relevant Guarantor as at the date of substitution.

21. **Governing Law**

The Agency Agreement, the Deed of Covenant, the Notes, the Guarantee, the Receipts and the Coupons (and any non-contractual obligations arising out of or in connection with the Agency Agreement, the Deed of Covenant, the Guarantee, the Notes, the Receipts and the Coupons and every such agreement for the issue and purchase of Notes) are governed by and shall be construed in accordance with the laws of England and Wales.

Each of the Issuers and the Guarantors irrevocably agrees for the benefit of the Noteholders that the courts of England and Wales are to have jurisdiction to settle any disputes which may arise out of or in connection with the Notes (including a dispute relating to any non-contractual obligations arising out of or in connection with the Notes) and that accordingly any suit, action or proceedings arising out of or in connection with the Notes (together referred to as **Proceedings**) may be brought in the courts of England and Wales.

22. **Appointment of Process Agent**

NEF and the Guarantors hereby appoint Nomura International plc at its registered office for the time being in England (being at the date of issue of the Notes to which the Conditions relate Nomura House, 1 St Martin's-le-Grand, London EC1A 4NP) as their agent for service of process in England in respect of any Proceedings and undertakes that in the event of it ceasing so to act it will appoint another person as its agent for that purpose.

**USE OF PROCEEDS**

The net proceeds from the issue of the Notes will be applied by the Issuer for general corporate purposes of the Nomura Group.

## TAXATION

### General Taxation Information

The information provided below does not purport to be a complete summary of the tax law and practice currently applicable. Potential purchasers of the Notes are advised to consult their own tax advisers as to the tax consequences of transactions involving Notes.

Purchasers and/or sellers of the Notes may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of transfer in addition to the issue price or purchase price (if different) of the Notes.

Transactions involving Notes (including purchases, transfer or redemption), the accrual or receipt of any interest payable on the Notes and the death of a holder of any Note may have tax consequences for potential purchasers which may depend, amongst other things, upon the tax status of the potential purchaser and may relate to stamp duty, stamp duty reserve tax, income tax, corporation tax, capital gains tax and inheritance tax.

### United Kingdom Taxation

The following is a summary of the United Kingdom withholding taxation treatment at the date hereof in relation to payments of principal and interest by the Issuer in respect of the Notes. The comments below are of a general nature based on current United Kingdom law and HM Revenue & Customs ("HMRC") practice relating to payments of interest on the Notes and are not intended to be exhaustive. They do not deal with any United Kingdom taxation implications of acquiring, holding or disposing of the Notes. They relate only to the position of persons who are the absolute beneficial owners of their Notes and Coupons (if applicable) and may not apply to certain classes of persons such as dealers or certain professional investors. They do not necessarily apply where the income is deemed for tax purposes to be the income of any other person. The United Kingdom tax treatment of prospective Noteholders depends on their individual circumstances and may be subject to change in the future. Any prospective Noteholders who are in doubt as to their own tax position or who may be subject to tax in a jurisdiction other than the United Kingdom should consult their professional advisers.

#### *Interest on the Notes*

The Notes issued will constitute "quoted Eurobonds" provided they are and continue to be listed on a recognised stock exchange, within the meaning of section 1005 of the Income Tax Act 2007 (the "Act"). The London Stock Exchange is a recognised stock exchange for these purposes. The Notes will satisfy this requirement if they are included in the official UK list and are admitted to trading on the London Stock Exchange. Whilst the Notes are and continue to be quoted Eurobonds, payments of interest on the Notes may be made without withholding or deduction for or on account of United Kingdom tax.

Interest on the Notes may also be paid without withholding or deduction on account of United Kingdom tax if the Issuer is and continues to be a bank within the meaning of section 991 of the Act, and provided that the interest on the Notes is paid in the ordinary course of its business within the meaning of section 878 of the Act.

In all other cases, interest with a United Kingdom source will generally be paid under deduction of income tax at the basic rate (currently 20 per cent.) subject to (i) certain other domestic exemptions; and (ii) any direction to the contrary from HMRC in respect of such relief as may be available pursuant to the provisions of any applicable double taxation treaty.

#### *Information*

Noteholders may wish to note that, in certain circumstances, HMRC has power to obtain information (including the name and address of the beneficial owner of the interest) from any person in the United Kingdom who either pays or credits interest to or receives interest for the benefit of a Noteholder. HMRC also has power, in certain circumstances, to obtain information from any person in the United Kingdom who pays amounts payable on the redemption of the Notes which are deeply discounted securities for the purposes of the Income Tax (Trading and Other Income) Act 2005 to or receives such amounts for the benefit of another person. Such information may include the name and address of the



beneficial owner of the amount payable on redemption. Any information obtained may, in certain circumstances, be exchanged by HMRC with the tax authorities of the jurisdiction in which the Noteholder is resident for tax purposes.

### **EU Savings Directive**

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to or for an individual resident (or certain limited types of entities established) in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

## SUBSCRIPTION AND SALE

The Dealer has, in a dealer agreement dated 31 July 2009 (as amended, supplemented and/or restated from time to time (the "**Dealer Agreement**")), agreed with, *inter alia*, each of the Issuer and the Guarantor, a basis upon which the Dealer may from time to time agree to purchase notes (including the Notes) from the Issuer. Any such agreement will extend to those matters stated under "*Form of the Notes*" and "*Terms and Conditions of the Notes*" above. In the Dealer Agreement, the Issuer, failing which the Guarantor, has agreed to reimburse the Dealers for certain of their expenses incurred in connection with the issue of the Notes and to indemnify the Dealer against certain liabilities incurred by them in connection therewith. The Issuer may also agree to issue the Notes to persons other than the Dealers on, and subject to, the terms of the Dealer Agreement.

### United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act.

The Dealer has represented and agreed and each further Dealer appointed under the Dealer Agreement will be required to represent and agree that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver Notes of any Tranche (i) as part of their distribution at any time and (ii) otherwise until 40 days after the completion of the distribution of all Notes of the Tranche of which such Notes are a part within the United States or to, or for the account or benefit of, U.S. persons and it will have sent to each Dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in the preceding paragraph and in this paragraph have the meanings given to them by Regulation S under the Securities Act.

In addition, until 40 days after the completion of the distribution of all Notes of the Tranche of which such Notes are a part, an offer or sale of Notes of such Tranche within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

### Public Offer Selling Restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), the Dealer has represented and agreed, and each further Dealer appointed under the Dealer Agreement will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Notes to the public in that Relevant Member State:

- (a) if the terms and conditions in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a "**Non-exempt Offer**"), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the final terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable;

- (b) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (c) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000; and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or
- (d) at any time to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer(s) nominated by the relevant Issuer for any such offer; or
- (e) at any time in any other circumstances pursuant to Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (b) to (e) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an **offer of Notes to the public** in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression **Prospectus Directive** means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

#### **United Kingdom**

The Dealer has represented, warranted and agreed and each further Dealer appointed under the Dealer Agreement will be required to represent, warrant and agree that:

- (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not or, in the case of NBI, would not if it were not an authorised person, apply to the Issuer or the Guarantors; and
- (ii) it has complied with and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

#### **Japan**

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Law No.25 of 1948, as amended; the **FIEA**) and the Dealer has represented and agreed, and each further Dealer appointed under the Dealer Agreement will be required to represent and agree, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan, or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

#### **General**

The Dealer has agreed and each further Dealer appointed under the Dealer Agreement will be required to agree that it will comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or other information in relation to the the issue of any Notes and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any

jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and none of the Issuer, the Guarantor or any other Dealer shall have any responsibility therefor.

None of the Issuer, the Guarantor or any Dealer represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer will be required to comply with such other additional restrictions as the relevant Issuer and the relevant Dealer shall agree and as shall be set out in the applicable terms and conditions of such Tranche.

## GENERAL INFORMATION

### Authorisation

The issue of the Notes by the Issuer have been duly authorised by resolutions of the Board of Directors dated 30 July 2009 and 31 July 2009.

### Documents Available

So long as the Notes are listed, copies of the following documents will, when published, be available (free of charge) from the principal office of the Principal Paying Agent in London:

- (a) the constitutional documents of the Issuer and the Guarantor;
- (b) the NBI Registration Document;
- (c) the audited, non-consolidated annual financial statements of the Issuer prepared in accordance with U.K. GAAP for the two most recent financial years (currently the two financial years ended 31 March 2009 and 2010) and the most recent publicly available unaudited consolidated quarterly financial statements of the Issuer (if any) prepared in accordance with U.K. GAAP;
- (d) the audited, consolidated annual financial statements of the Guarantor prepared in accordance with U.S. GAAP for the two most recent financial years (currently the two financial years ended 31 March 2009 and 31 March 2010) and the most recent publicly available unaudited consolidated quarterly financial statements of the Guarantor (if any) prepared in accordance with U.S. GAAP;
- (e) the Dealer Agreement, the Agency Agreement, the Guarantee and the Deed of Covenant (each as amended, supplemented and/or restated up until the date of this Document);
- (f) a copy of this Document; and
- (g) any future prospectuses, information memoranda and supplements to this Document and any other documents incorporated herein or therein by reference.

### Significant or Material Change

Save as disclosed in the paragraph entitled "Trend Information" on page 14 of the NBI Registration Document, read together with the section "Description of the Issuer" above, there has been no significant change in the financial or trading position of the Issuer since 30 September 2010.

There has been no significant change in the financial or trading position of the Guarantor or the Nomura Group since 31 December 2010.

There has been no material adverse change in the prospects of the Issuer, the Guarantor or the Nomura Group since 31 March 2010.

### Legal, governmental and arbitration proceedings

Save as disclosed in the paragraph entitled "Legal, governmental and arbitration proceedings" on page 21 of the NBI Registration Document, neither the Issuer nor NHI is or has been involved in any legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Issuer or NHI is aware) which may have or have had in the 12 months preceding the date of this Document a significant effect on the financial position of the Issuer or NHI.

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