c/c

HCL Japan Limited

STANDALONE FINANCIAL STATEMENT

Years ended 31 March 2018 and 2017

Golf View Corporate Tower - B
Sector - 42, Sector Road
Gurugram - 122 002, Haryana, India
Tel : +91 124 464 4000
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INDEPENDENT AUDITOR'S REPORT

To the Members of HCL Japan Limited.

Report on the Ind AS Financial Statements

We have audited the accompanying Ind AS financial statements of HCL Japan Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2018, the Statement of Profit and Loss, including the statement of Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the preparation of these Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Companies Act, 2013 ("the Act"), read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial control that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these Ind AS financial statements based on our audit. We conducted our audit of the Ind AS financial statements in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India, Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company's internal financial controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the Ind AS financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Ind AS financial statements.

S.R. BATLIBOI & CO. LLP
GURUGRAM

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the Ind AS financial statements give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2018, its profit including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Other matters

This report covering the financial statements of the Company for the year ended March 31, 2018 is intended for the information and use of the board of directors of the Company and HCL Technologies Limited, the ultimate holding company to comply with the financial reporting requirement in India. These financial statements have been prepared in all material respects in accordance with the basis of preparation as set out in Note 1 (a) to the financial statements of the company, which describes the basis of accounting and the related audit covered by the report was carried out following the generally accepted auditing principles in India. Use of these financial statements or the related audit report for any other purpose will be subject to the above explanation.

For **S.R. Batliboi & CO. LLP**
Chartered Accountants
ICAI Firm Registration Number: 301003E/E300005

Nilangshu Katriar

per Nilangshu Katriar
Partner
Membership Number: 058814

S.R. BATLIBOI & CO. LLP GURUGRAM

Place: Gurugram
Date: June 29, 2018

HCL Japan Limited

Balance Sheet as at 31 March 2018

(All amounts in millions, except share data and as stated otherwise)

	Note No.	As at 31 March 2018 (JPY)	As at 31 March 2017 (JPY)	As at 31 March 2018 (₹)
I. ASSETS				
(1) Non-current assets				
(a) Property, Plant and Equipment	2.1 (A)	238	153	146
(b) Capital work in progress		1	0	1
(c) Other Intangible assets	2.1 (B)	5	2	3
(d) Financial Assets				
(i) Others	2.2	59	43	36
(e) Deferred tax assets (net)	2.21	116	176	71
(f) Other non-current assets	2.3	6	5	4
(2) Current assets				
(a) Inventories	2.4	49	61	30
(b) Financial Assets				
(i) Trade receivables	2.5	2,148	1,702	1,319
(ii) Cash and cash equivalents	2.6	216	5	133
(iii) Loans	2.7	965	6	593
(iv) Others	2.2	357	291	220
(c) Other current assets	2.8	90	88	54
TOTAL ASSETS		**4,250**	**2,532**	**2,610**
II. EQUITY				
(a) Equity Share Capital	2.9	220	220	135
(b) Other Equity		208	82	128
III. LIABILITIES				
(1) Non - current liabilities				
(a) Provisions	2.10	44	42	43
(2) Current liabilities				
(a) Financial Liabilities				
(i) Borrowings	2.11	-	143	-
(ii) Trade payables	2.12	2,594	1,041	1,593
(iii) Others	2.13	395	366	243
(b) Other current liabilities	2.14	615	599	377
(c) Provisions	2.10	70	39	27
(d) Current Tax Liabilities (Net)		104	-	64
TOTAL EQUITY AND LIABILITIES		**4,250**	**2,532**	**2,610**
Summary of significant accounting policies	1			

The accompanying notes are an integral part of the financial statements

As per our report of even date

FOR S. R. BATLIBOI & CO. LLP
ICAI Firm Registration Number : 301003E/E300005
Chartered Accountants

Nilangshu Katriar

per Nilangshu Katriar
Partner
Membership Number: 058814

S.R. BATLIBOI & CO. LLP GURUGRAM

Gurugram, India
Date: 29th June' 2018

For and on behalf of the Board of Directors
of HCL Japan Limited

Neelanjan Bhattacharjee
Director

Sundaram Sridharan
Director

Date: 29th June' 2018

HCL Japan Limited
Statement of Profit and Loss for the year ended 31 March 2018
(All amounts in millions, except share data and as stated otherwise)

		Note No.	Year ended 31 March 2018 (JPY)	Year ended 31 March 2017 (JPY)	Year ended 31 March 2018 (₹)
I	**Revenue**				
	Revenue from operations	2.15	10,529	10,385	6,465
	Other income	2.16	22	70	13
	Total revenue		**10,551**	**10,455**	**6,478**
II	**Expenses**				
	Cost of materials consumed				
	Purchase of traded goods		44	152	28
	Changes in inventories of traded goods	2.17	12	(55)	7
	Employee benefits expense	2.18	3,124	2,505	1,918
	Finance costs	2.19	2	4	1
	Depreciation and amortization expense	2.1	76	68	46
	Outsourcing costs		6,559	7,012	4,028
	Other expenses	2.20	424	721	260
	Total expenses		**10,241**	**10,407**	**6,288**
III	**Profit before tax**		**310**	**48**	**190**
IV	**Tax expense**				
	Current tax	2.21	124	52	76
	Deferred tax credit	2.21	60	(14)	37
	Total tax expense/(credit)		184	38	113
V	**Profit for the year**		**126**	**10**	**78**
VI	**Profit for the year**		**126**	**10**	**78**
VII	**Other comprehensive income**				
	Items that will not be reclassified to profit or loss		-	-	-
	Items that will be reclassified subsequently to profit or loss		-	-	-
			-	-	-
VIII	**Total Comprehensive Income for the year**		**126**	**10**	**78**
	Earnings per equity share of par value JPY 50,000 each				
	Basic and Diluted (in ₹)	2.22	28,747.73	2,156.94	17,651.10
	Summary of significant accounting policies	1			

The accompanying notes are an integral part of the financial statements

As per our report of even date

FOR S. R. BATLIBOI & CO. LLP
ICAI Firm Registration Number: 301003E/E300005
Chartered Accountants

per Nilangshu Katriar
Partner
Membership Number: 058814

Gurugram, India
Date: 29th June'2018

S.R. BATLIBOI & CO. LLP GURUGRAM

For and on behalf of the Board of Directors of HCL Japan Limited

Neelanjan Bhattacharjee
Director

Sundaram Sridharan
Director

Date: 29th June'2018

HCL Japan Limited
Statement of Changes in Equity for the year ended 31 March 2018
(All amounts in millions, except share data and as stated otherwise)

(Amount in JPY)

	Equity share capital		Other Equity	
	Shares	Share capital	Reserve and Surplus	Earned Surplus Reserve
Balance as of April 1, 2016	4,400	220	797	-
Profit for the year	-	-	10	-
Total comprehensive income for the year	-	-	10	-
Dividend of JPY 164,772 per share	-	-	(725)	-
Transfer to earned surplus reserve	-	-	(55)	55
Balance as of March 31, 2017	4,400	220	27	55
Balance as of April 1, 2017	4,400	220	27	55
Profit for the year	-	-	126	-
Total comprehensive income for the year	-	-	126	-
Balance as of March 31, 2018	4,400	220	153	55
Balance as of March 31, 2018 (₹)	4,400	135	94	34

The accompanying notes are an integral part of the financial statements

As per our report of even date

FOR S. R. BATLIBOI & CO. LLP
ICAI Firm Registration Number: 301003E/E300005
Chartered Accountants

Nilangshu Katriar

per Nilangshu Katriar
Partner
Membership Number: 058814

S.R. BATLIBOI & CO. LLP GURUGRAM

Gurugram, India
Date: 29th June' 2018

For and on behalf of the Board of Directors
of HCL Japan Limited

Neelanjan Bhattacharjee
Director

Sundaram Sridharan
Director

Date: 29th June' 2018

HCL Japan Limited
Cash Flow Statement for the year ended March 31, 2018
(All amounts in millions, except share data and as stated otherwise)

		Year ended 31 March 2018 (JPY)	Year ended 31 March 2017 (JPY)	Year ended 31 March 2018 (₹)
A. Cash flows from operating activities				
Profit before tax		310	48	190
Adjustment for:				
Depreciation and amortization		76	68	47
Interest income		(22)	(68)	(13)
Loss on sale of PPE		0	-	0
Unrealised exchange loss/(gain) on short term loans		38	(496)	23
Provision for Doubtful Debts/(written back)		6	(1)	4
Interest expenses		1	2	0
Operating profit/(Loss) before working capital changes		**409**	**(447)**	**251**
Movement in Working Capital				
Increase in trade receivables		(452)	(415)	(277)
(Increase)/decrease in inventories		12	(55)	7
(Increase)/decrease in other financial assets and other assets		(101)	169	(62)
Increase/ (decrease) in trade payables		1,553	(7,188)	954
Increase/ (decrease) in provisions, other financial liabilities and other liabilities		87	(745)	53
Cash generated from/(used in) operations		**1,508**	**(8,681)**	**926**
Direct taxes paid (net of refunds)		(1)	63	(1)
Net cash flow/(used) in operating activities	**(A)**	**1,507**	**(8,618)**	**925**
B. Cash flows from investing activities				
Loan given during the year		(993)	(6,959)	(610)
Loan repaid during the year		-	14,697	-
Purchase of property,plant and equipment, including capital work in progress and capital advances		(174)	0	(107)
Interest received		15	97	9
Net cash flow from/(used) in investing activities	**(B)**	**(1,152)**	**7,835**	**(708)**
C. Cash flows from financing activities				
Dividend paid		-	(725)	-
Repayment of borrowings		(143)	143	(88)
Interest paid		(1)	(2)	(0)
Net cash flow used in financing activities	**(C)**	**(144)**	**(584)**	**(88)**
Net increase/ (decrease) in cash and cash equivalents (A+B+C)		211	(1,367)	129
Cash and cash equivalents at the beginning of the year		5	1,372	4
Cash and cash equivalents at the end of the year as per note 2.6		**216**	**5**	**133**
Summary of significant accounting policies (Note 1)				

As per our report of even date.

FOR S. R. BATLIBOI & CO. LLP
ICAI Firm Registration Number : 301003E/E300005
Chartered Accountants

per Nilangshu Katriar
Partner
Membership Number: 058814

S.R. BATLIBOI & CO. LLP GURUGRAM

Gurugram, India
Date: 29th June'2018

For and on behalf of the Board of Directors
of HCL Japan Limited

Neelanjan Bhattacharjee
Director

Sundaram Sridharan

Date: 29th June'2018

ORGANIZATION AND NATURE OF OPERATIONS

HCL Japan Limited (hereinafter referred to as the 'Company') is primarily engaged in business of development, installation and implementation of software and management services. The Company was incorporated in Japan in February 1998, having its registered office at 19F, NBF Hibiya Building, 1-1-7, Uchisiwal-cho Chiyoda-Ku, Tokyo.

The financial statements for the year ended 31st March, 2018 were approved and authorized for issue by the Board of Directors on 29th June' 2018

1. Significant Accounting Policies

a) Basis of preparation

The financial statements of the Company have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time). These financial statements have been prepared under the historical cost convention on an accrual and going concern basis except certain assets and liabilities which have been measured at fair value (refer accounting policy regarding financial instruments).

As the Company is not domiciled in India and hence not registered under Companies Act 2013, these financial statements have not been prepared to fully comply with the Companies Act 2013, and so they do not reflect all the disclosures requirements of the Act.

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous year.

The functional currency of the Company is Japanese Yen (JPY). The translation from JPY to ₹ is unaudited and is included solely for the convenience of readers in India and has been performed using rate of JPY 1 = ₹ 0.614, the exchange rate prevailing as at the last day of the financial year. Such translation should not be construed as representation that the ₹amount represents, or have been or could be converted into, JPY at that or any other rate.

b) Use of estimates

The preparation of financial statements in conformity with Ind AS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs, expenses and other comprehensive income (OCI) that are reported and disclosed in the financial statements and accompanying notes. These estimates are based upon management's best knowledge of current events, historical experience, actions that the company may undertake in the future and on various other assumptions that are believed to be reasonable under the circumstances. Significant estimates and assumptions are used for, but not limited to, accounting for costs expected to be incurred to complete performance under fixed price projects, allowance for uncollectible accounts receivable, income taxes, future obligations under employee benefit plans, the useful lives of property, plant and equipment and other contingencies and commitments. Changes in estimates are reflected in the financial statements in the period in which the changes are made. Actual results could differ from those estimates.

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c) Leases

Company as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease.

Finance leases are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the statement of profit and loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset or the lease term.

Operating lease payments are recognized as an expense in the statement of profit and loss on a straight-line basis over the lease term.

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the year in which they are earned.

Leases in which the Company transfers substantially all the risk and benefits of ownership of the asset are classified as finance leases. Assets given under finance lease are recognized as a receivable at an amount equal to the net investment in the leased assets. After initial recognition, the Company apportions lease rentals between the principal repayment and interest income so as to achieve a constant periodic rate of return on the net investment outstanding in respect of the finance leases. The interest income is recognized in the statement of profit and loss. Initial direct costs such as legal cost, brokerage cost etc. are recognized immediately in the statement of profit and loss

d) Inventories

Stock in trade, stores and spares are valued at the lower of the cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

Cost of stock in trade procured for specific projects is assigned by identification of individual costs of each item. Cost of stock in trade, that are interchangeable and not specific to any project and cost of stores and spare parts are determined using the weighted average cost formula.

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e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and directly attributable cost of bringing the asset to its working condition for its intended use. Any trade discounts and rebates are deducted in arriving at the purchase price. The company identifies and determines separate useful lives for each major component of the property, plant and equipment, if they have a useful life that is materially different from that of the assets as a whole.

All other expenses on existing fixed assets, including day – to - day repairs, maintenance expenditure and cost of replacing parts, are charged to the statement of profit and loss for the period during which such expenses are incurred.

Gains or losses arising from derecognition of property, plant and equipment are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized.

Property, plant and equipment under construction and cost of assets not ready for use at the year-end are disclosed as capital work- in- progress.

Depreciation on property, plant and equipment is provided on the straight-line method over their estimated useful lives, as determined by the management. Depreciation is charged on a pro-rata basis for assets purchased/sold during the year.

The management's estimates of the useful lives of various tangible fixed assets for computing depreciation are as follows:

Category of asset	*Life (in years)*
Computer, Laptops & Networking equipment	4-5
Office Equipment	5
Furniture and Fitting	7
Leasehold Improvement Equipment	Over the lease period or useful life of the asset, whichever is lower
Leasehold Improvement Furniture and Fixture	Over the lease period or useful life of the asset, whichever is lower

The useful life as given above best represent the period over which the management expects to use these assets, based on technical assessment. Hence, the useful life for the assets is different from the useful life prescribed under Part C of Schedule II of the Companies Act 2013.
The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

f) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or

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method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognized in the statement of profit and loss.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit or loss when the asset is derecognized.

The intangible assets are amortized over the estimated useful life of the assets as under:

Asset description	**Asset life (in years)**
Software	2-3

g) Fair value measurement

The company records certain financial assets and liabilities at fair value on a recurring basis. The company determines fair values based on the price it would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability.

The guidance of fair value specifies a hierarchy of valuation techniques based on whether the inputs to each measurement are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's assumptions about current market conditions. The fair value hierarchy also requires a company to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The prescribed fair value hierarchy and related valuation methodologies are as follows:

Level 1 - Quoted inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-derived valuations, in which all significant inputs are directly or indirectly observable in active markets.

Level 3 - Valuations derived from valuation techniques, in which one or more significant inputs are unobservable inputs which are supported by little or no market activity.

In accordance with Ind AS 113, assets and liabilities are to be measured based on the following valuation techniques:

a) Market approach – Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

b) Income approach – Converting the future amounts based on market expectations to its present value using the discounting methodology.

c) Cost approach – Replacement cost method.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant who would use the asset in its highest and best use.

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h) Revenue Recognition

Contracts involving provision of services

Revenue is recognized when persuasive evidence of an arrangement exists, services have been rendered, the fee is determinable and collectability is reasonably assured. Contracts can be primarily categorized as time-and-material or fixed price contracts.

Time-and-material contracts

Revenue with respect to time-and-material contracts is recognized as the related services are performed.

Fixed Price contracts

Revenue related to contracts providing maintenance and support services, is recognized over the term of the contract.

Revenue from technology integration and complex network building contracts is recognized in accordance with the Percentage-Of-Completion (POC) method. Under the POC method, progress towards completion is measured based on either achievement of specified contract milestones, cost incurred as a proportion of estimated total cost or other measures of progress when available. If circumstances arise that change the original estimates of revenues, costs, or extent of progress towards completion, revisions are made to the estimates. These revisions may result in increase or decrease in estimated revenues or costs, and such revisions are reflected in income in the year in which the circumstances that gave rise to the revision become known to the management. If at any time these estimates indicate that the contract will be unprofitable, the entire estimated loss for the remainder of the contract is recorded immediately.

Revenue related to other fixed price contracts is recognized in accordance with the Percentage of Completion method (POC). The cost incurred on the projects is used to measure progress towards completion. Costs are recorded as incurred over the contract period. Any revision in cost to complete would result in increase or decrease in revenue and income and such changes are recorded in the year in which they are identified. Provisions for estimated losses, if any, on contracts-in-progress are recorded in the period in which such losses become probable based on the current cost estimates. Contract losses are determined to be the amount by which the estimated total cost to complete exceeds the estimated total revenue that will be generated by the contract and are included in Cost of services and classified in other accrued liabilities.

In arrangements involving sharing of customer revenues, revenue is recognized when the amounts are known and the right to receive is established. Incremental revenue from existing contracts arising on future sales to the customers is recognized when it is earned and collectability is reasonably assured. Revenues from unit-priced contracts are recognized as transactions are processed, based on objective measures of output.

Revenue from product sales are shown net of sales tax and applicable discounts and allowances. Revenue related to product with installation services that are critical to the product is recognized when installation of product at customer site is completed and accepted by the customer. If the revenue for a delivered item is not recognized for non-receipt of acceptance from the customer, the cost of the delivered item is also deferred. Revenue from maintenance services is recognized ratably over the period of the contract.

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Revenue is recognized net of discounts and allowances, value-added tax and service tax, and includes reimbursement of out-of-pocket expenses, with the corresponding out-of-pocket expenses included in cost of revenues.

Revenue from financing leases is recognized when risk of loss has been transferred to the client and there are no unfulfilled obligations that affect the final acceptance of the arrangement by the client. Revenue from operating leases is accounted on a straight-line basis as service revenue over the rental period. Interest attributable to financing leases included therein is recognized on an accrual basis using the effective interest method.

Interest Income

Interest on the deployment of surplus funds is recognized using the time-proportion method, based on interest rates implicit in the transaction. Interest income for all financial instruments measured at amortized cost is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset or to the amortized cost of a financial liability. When calculating the EIR, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument but does not consider the expected credit losses. Interest income is included in other income in the statement of profit and loss.

i) Foreign currency transactions

The financial statements of the company are presented in its functional currency JPY. For each foreign operation, the company determines the functional currency which is its respective local currency.

Transactions in foreign currencies are initially recorded by the Company at their respective functional currency spot rates at the date the transaction. Foreign-currency denominated monetary assets and liabilities are translated to the relevant functional currency at exchange rates in effect at the balance sheet date. Exchange differences arising on settlement or translation of monetary items are recognized in the statement of profit and loss. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of initial transaction. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at fair value are translated at the exchange rate prevalent at the date when the fair value was determined.

Transaction gains or losses realized upon settlement of foreign currency transactions are included in determining net profit for the period in which the transaction is settled. Revenue, expense and cash-flow items denominated in foreign currencies are translated into the relevant functional currencies using the exchange rate in effect on the date of the transaction.

j) Income Taxes

Income tax expense comprises current and deferred income tax.

Income tax expense is recognized in statement of profit and loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current income tax for current and prior periods is recognized at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Provision for income tax includes the impact of provisions established for uncertain income tax positions, as well as the related interest and penalties.

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Deferred income tax assets and liabilities are recognized for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

The effect of changes in tax rates on deferred income tax assets and liabilities is recognized as income or expense in the period that includes the enactment or the substantive enactment date. A deferred income tax asset is recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilized.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred income tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

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

k) Financial Instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i. Financial assets

All financial assets are recognized initially at fair value. Transaction costs that are directly attributable to the acquisition of financial assets (other than financial assets at fair value through profit or loss) are added to the fair value measured on initial recognition of financial asset. Purchase and sale of financial assets are accounted for at trade date.

Financial instruments at amortized cost

A financial instrument is measured at the amortized cost if both the following conditions are met:

a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and

b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in other income in the statement of profit and loss. The losses arising from impairment are recognized in the statement of profit and loss. This category includes cash and bank balances, loans, unbilled revenue, trade and other receivables.

Financial instrument at Fair Value through Other Comprehensive Income (OCI)

A financial instrument is classified and measured at fair value through OCI if both of the following criteria are met:

a) The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and

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b) The asset's contractual cash flows represent solely payments of principal and interest. Financial instruments included within the OCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognized in OCI. On derecognition of the asset, cumulative gain or loss previously recognized in OCI is reclassified from OCI to statement of profit and loss.

Financial instrument at Fair Value through Profit and Loss

Any financial instrument, which does not meet the criteria for categorization at amortized cost or at fair value through other comprehensive income, is classified at fair value through profit and loss. Financial instruments included in the fair value through profit and loss category are measured at fair value with all changes recognized in the statement of profit and loss.

Equity investments

Equity investments in subsidiaries are measured at cost.

Derecognition of financial assets

A financial asset is primarily derecognized when the rights to receive cash flows from the asset have expired, or the Company has transferred its rights to receive cash flows from the asset.

Impairment of financial assets

The Company recognizes loss allowances using the expected credit loss (ECL) model for the financial assets which are not fair valued through profit and loss. Lifetime ECL allowance is recognized for trade receivables with no significant financing component. For all other financial assets, expected credit losses are measured at an amount equal to the 12-month ECL, unless there has been a significant increase in credit risk from initial recognition in which case they are measured at lifetime ECL. The amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date is recognized in the statement of profit and loss.

ii. Financial liabilities

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include trade payables, borrowings including bank overdrafts and other payables. After initial recognition, financial liabilities are subsequently measured at amortized cost using the effective interest rate (EIR) method. Gains and losses are recognized in the statement of profit and loss when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit and loss.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis to realize the assets and settle the liabilities simultaneously.

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l) Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

Diluted EPS amounts are computed by dividing the net profit attributable to the equity holders of the company by the weighted average number of equity shares considered for deriving basic earnings per share and also the weighted average number of equity shares that could have been issued upon conversion of all dilutive potential equity shares. used at fair value (i.e. the average market value of the outstanding shares). Dilutive potential equity shares are deemed converted as at the beginning of the year, unless issued at a later date. Dilutive potential equity shares are determined independently for each year presented.

m) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

n) Retirement and other Employee benefits

The Company has implemented a public insurance scheme for all employees, which includes health insurance, welfare pension insurance and worker's accident compensation insurance.

The contribution to the public insurance scheme, a defined contribution plan, is made in accordance with the local statutory requirements and charged to the statement of profit and loss for every period, when the contribution is due.

Compensated absences: The employees of the Company are entitled to compensated absences which are both accumulating and non-accumulating in nature. The expected cost of accumulating compensated absences is determined by actuarial valuation based on the additional amount expected to be paid as a result of the unused entitlement that has accumulated at the Balance Sheet date. The expense on non-accumulating compensated absences is recognized in the period in which the absences occur.

o) Cash and short-term deposits

Cash and short-term deposits in the balance sheet comprise cash in banks and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

p) Contingent liabilities

A contingent liability is a possible obligation that may arise from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The company does not recognize a contingent liability but discloses its existence in the financial statements.

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q) Recently issued accounting pronouncements

On 28 March 2018, the Ministry of Corporate Affairs (MCA), notified Companies (Indian Accounting Standards) (Amendments) Rules, 2018, amending the following standards:

Appendix B to Ind AS 21, 'Foreign Currency Transactions and Advance Consideration'

The amendment clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration.

The Appendix is effective for annual periods beginning on or after 1 April 2018. However, since the Company's current practice is in line with the Interpretation, the Company does not expect any effect on its financial statements.

Ind AS 115, Revenue from Contract with Customers

Ind AS 115 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Ind AS 115 will supersede the current revenue recognition standard Ind AS 18 Revenue, Ind AS 11 Construction Contracts. The effective date for adoption of Ind AS 115 is financial periods beginning on or after April 1, 2018.

The core principle of Ind AS 115 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under Ind AS 115, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

The standard permits two possible methods of transition:

o Retrospective approach-Under this approach the standard will be applied retrospectively to each prior reporting period presented in accordance with Ind AS 8 - Accounting Policies, Changes in Accounting Estimates and Errors

o Retrospectively with cumulative effect of initially applying the standard recognized at the date of initial application (Cumulative catch - up approach)

The company is currently evaluating the impact that the adoption of this new standard will have on its financial statements.

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Notes to financial statements for the year ended 31 March 2018
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2.1 Property, plant and equipment

The changes in the carrying value for the year ended 31 March 2018

	Gross block				Accumulated depreciation / amortization				Net block	
	As at 1 April 2017	Additions	Deletions/ Adjustments	As at 31 March 2018	As at 1 April 2017	Charge for the period	Deletions/ Adjustments	As at 31 March 2018	As at 31 March 2018	As at 31 March 2017
	(JPY)	(JPY)	(JPY)	(JPY)	(JPY)	(JPY)	(JPY)	(JPY)	(JPY)	(JPY)
Leasehold improvments-equipment	14	-	-	14	11	3	-	14	0	3
Leasehold improvments-furniture and fixture	19	-	-	19	17	0	-	17	2	2
Office Equipment	36	-	-	36	9	7	-	16	20	27
Computers	202	158	7	353	83	62	7	138	215	119
Furniture and fittings	6	-	-	6	4	1	-	5	1	2
2.1(A) Property, Plant and Equipment	277	158	7	428	124	73	7	190	238	153
Software	4	6	-	10	2	3	-	5	5	2
2.1(B) Other Intangible assets	4	6	-	10	2	3	-	5	5	2

The changes in the carrying value for the year ended 31 March 2017

	Gross block				Accumulated depreciation / amortization				Net block	
	As at 1 April 2016	Additions	Deletions/ Adjustments	As at 31 March 2017	As at 1 April 2016	Charge for the period	Deletions/ Adjustments	As at 31 March 2017	As at 31 March 2017	As at 31 March 2016
	(JPY)	(JPY)	(JPY)	(JPY)	(JPY)	(JPY)	(JPY)	(JPY)	(JPY)	(JPY)
Leasehold improvments-equipment	13	1	-	14	8	3	-	11	3	5
Leasehold improvments-furniture and fixture	19	-	-	19	15	2	-	17	2	4
Office Equipment	36	-	-	36	4	5	-	9	27	33
Computers	144	58	-	202	28	55	-	83	119	116
Furniture and fittings	6	-	-	6	3	1	-	4	2	3
2.1(A) Property, Plant and Equipment	218	59	-	277	58	66	-	124	153	161
Software	4	-	-	4	0	2	-	2	2	4
2.1(B) Other Intangible assets	4	-	-	4	0	2	-	2	2	4

The changes in the carrying value for the year ended 31 March 2018

	Gross block				Accumulated depreciation / amortization				Net block	
	As at 1 April 2017	Additions	Deletions/ Adjustments	As at 31 March 2018	As at 1 April 2017	Charge for the period	Deletions/ Adjustments	As at 31 March 2018	As at 31 March 2018	As at 31 March 2017
	(₹)	(₹)	(₹)	(₹)	(₹)	(₹)	(₹)	(₹)	(₹)	(₹)
Leasehold improvments-equipment	9	-	-	9	6	2	-	8	1	2
Leasehold improvments-furniture and fixture	11	-	-	11	11	0	-	11	0	1
Office Equipment	22	-	-	22	6	4	-	10	12	17
Computers	124	97	4	217	51	38	4	85	132	73
Furniture and fittings	4	-	-	4	3	0	-	3	1	1
2.1(A) Property, Plant and Equipment	170	97	4	263	77	44	4	117	146	94
Software	2	4	-	6	1	2	-	3	3	1
2.1(B) Other Intangible assets	2	4	-	6	1	2	-	3	3	1

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2.2 Other financial assets

	As at		
	31 March 2018	31 March 2017	31 March 2018
	(JPY)	(JPY)	(₹)
Non - current			
Finance lease receivables	26	10	16
Security deposits	33	33	20
	59	**43**	**36**
Current			
Interest on short term loan- related parties (refer note 2.27(e))	22	15	14
Unbilled Revenue	305	251	187
Unbilled revenue-related parties (refer note 2.27(e))	-	13	-
Advance to suppliers	5	3	3
Security deposits	11	5	7
Finance lease receivables	14	4	9
	357	**291**	**220**

2.3 Other non- current assets

	As at		
	31 March 2018	31 March 2017	31 March 2018
	(JPY)	(JPY)	(₹)
Unsecured considered good unless otherwise stated			
Others			
Prepaid expenses	5	3	3
Deferred cost	1	2	1
	6	5	**4**

2.4 Inventories

	As at		
	31 March 2018	31 March 2017	31 March 2018
	(JPY)	(JPY)	(₹)
Inventories			
Stock in trade	49	61	30
	49	**61**	**30**

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2.5 Trade Receivable

	As at		
	31 March 2018	31 March 2017	31 March 2018
	(JPY)	(JPY)	(₹)
Unsecured considered good (refer note below)	2,148	1,702	1,319
Unsecured considered doubtful	6	-	4
	2,154	1,702	1,323
Provision for doubtful receivables	(6)	-	(4)
	2,148	1,702	1,319

Note: Includes receivables from related parties amounting to JPY 567 mn (31 March 2017, JPY 216 mn)

2.6 Cash and cash equivalent

	As at		
	31 March 2018	31 March 2017	31 March 2018
	(JPY)	(JPY)	(₹)
Balance with banks			
- in current accounts	216	0	133
Remittances in transit	-	5	-
	216	5	133

2.7 Financial Assets - Loans

	As at		
	31 March 2018	31 March 2017	31 March 2018
	(JPY)	(JPY)	(₹)
Current			
Unsecured, considered good			
Others			
Short-Term Loan- related parties (refer note 2.27(e))	955	-	587
Loans and advances to employees	10	6	6
Loans and advances to employees - doubtful	6	4	4
Less: Provision for doubtful advances	(6)	(4)	(4)
	965	6	593

2.8 Other current assets

	As at		
	31 March 2018	31 March 2017	31 March 2018
	(JPY)	(JPY)	(₹)
Others			
Deferred cost	4	18	2
Deferred cost - related parties (refer note 2.27(e))	35	7	21
Prepaid expenses	48	44	29
Prepaid expenses - related parties (refer note 2.27(e))	3	-	2
Advance tax (refundable)	-	19	-
	90	88	54

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2.9 Share Capital

	As at		
	31 March 2018	31 March 2017	31 March 2018
	(JPY)	(JPY)	(₹)
Authorized			
12,800 (previous year 12,800) equity shares of JPY 50,000 each	640	640	393
Issued, subscribed and fully paid up			
4,400 (previous year 4,400) equity shares of JPY 50,000 each, fully paid up.	220	220	135

Terms/ rights attached to equity shares

The Company has only one class of shares referred to as equity shares having a par value of JPY 50,000/-. Each holder of equity shares is entitled to one vote per share.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive the remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

Reconciliation of the number of shares outstanding at the beginning and at the end of the reporting period

Particulars	As at			
	31 March 2018		31 March 2017	
	No. of shares	Amount (JPY)	No. of shares	Amount (JPY)
Number of shares at the beginning	4,400	220	4,400	220
Add: Shares issued during the year	-	-	0	-
Number of shares at the end	4,400	220	4,400	220

Shares held by holding/ultimate holding company and or their subsidaries/asociates

Out of equity shares issued by the Company shares held by its holding company, are as below:

Particulars	As at			
	31 March 2018		31 March 2017	
	No. of Shares	Amount (JPY)	No. of Shares	Amount (JPY)
Equity shares of JPY 50,000 each				
HCL Technologies UK, the holding company	4,400	220	4,400	220

Details of shareholders holding more than 5 % shares in the company:-

Name of the shareholder	As at			
	31 March 2018		31 March 2017	
	No. of shares	% holding in the class	No. of shares	% holding in the class
Equity shares of JPY 50,000 each fully paid				
HCL Technologies UK - the holding company	4,400	100.00%	4,400	100.00%

As per the records of the Company, including its register of shareholders/members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownership of shares.

There are no bonus shares issued, no shares issued other than cash and no shares bought back during five years immediately preceding the reporting date.

Capital management

The primary objective of the Company's capital management is to support business continuity and growth of the company while maximizing the shareholder value. The Company determines the capital requirement based on annual operating plans and long-term and other strategic investment plans. The funding requirements are generally met through operating cash flows generated.

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2.10 Provisions

	As at		
	31 March 2018	31 March 2017	31 March 2018
	(JPY)	(JPY)	(₹)
Non-current			
Provision for employee benefits			
Provision for leave benefits	44	42	43
	44	42	43
Current			
Provision for employee benefits			
Provision for leave benefits	70	39	27
	70	39	27

2.11 Borrowings

	As at		
	31 March 2018	31 March 2017	31 March 2018
	(JPY)	(JPY)	(₹)
Short term borrowings			
Unsecured			
Bank overdraft (refer note 1 below)	-	143	-
	-	143	-

Note:-

1. Current borrowings were primarily on account of bank overdrafts required for management of working capital.

2.12 Trade payables

	As at		
	31 March 2018	31 March 2017	31 March 2018
	(JPY)	(JPY)	(₹)
Trade payables	43	38	27
Trade payables-related parties (refer note 2.27(e))	2,551	1,003	1,566
	2,594	1,041	1,593

2.13 Other financial liabilities

	As at		
	31 March 2018	31 March 2017	31 March 2018
	(JPY)	(JPY)	(₹)
Current			
Others			
Capital accounts payables	13	23	8
Liabilities for expenses	191	145	117
Liabilities for expenses-related parties (refer note 2.27(e))	191	198	118
	395	366	243

2.14 Other current liabilities

	As at		
	31 March 2018	31 March 2017	31 March 2018
	(JPY)	(JPY)	(₹)
Revenue received in advance	24	77	15
Other Advances			
Advances received from customers	0	0	0
Accrued salaries and benefits			
Employee bonuses accrued	88	54	53
Other employee costs	45	43	27
Others			
Withholding and other taxes payable	335	411	206
Provision for customer discount	0	4	0
Others	123	10	76
	615	599	377

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2.15 Revenue from operations

	Year ended 31 March 2018 (JPY)	Year ended 31 March 2017 (JPY)	Year ended 31 March 2018 (₹)
Sale of services	10,470	10,354	6,429
Sale of hardware and software	59	31	36
	10,529	10,385	6,465

2.16 Other income

	Year ended 31 March 2018 (JPY)	Year ended 31 March 2017 (JPY)	Year ended 31 March 2018 (₹)
Interest income			
- On loan given to related parties (refer note 2.27 (c))	22	68	13
- Others	0	0	0
Provisions no longer required written back	-	1	-
Miscellaneous income	0	1	0
	22	70	13

2.17 Changes in inventories of traded goods

	Year ended 31 March 2018 (JPY)	Year ended 31 March 2017 (JPY)	Year ended 31 March 2018 (₹)
Opening stock	61	6	37
Closing stock	49	61	30
	12	(55)	7

2.18 Employee benefits expense

	Year ended 31 March 2018 (JPY)	Year ended 31 March 2017 (JPY)	Year ended 31 March 2018 (₹)
Salaries, wages and bonus	2,862	2,235	1,757
Contribution to Japan legal welfare and other funds	255	268	156
Staff welfare expenses	7	2	5
	3,124	2,505	1,918

2.19 Finance cost

	Year ended 31 March 2018 (JPY)	Year ended 31 March 2017 (JPY)	Year ended 31 March 2018 (₹)
Interest			
-on loans from banks	1	2	0
-others	-	0	-
Bank charges	1	2	1
	2	4	1

2.20 Other expenses

	Year ended 31 March 2018 (JPY)	Year ended 31 March 2017 (JPY)	Year ended 31 March 2018 (₹)
Rent	65	54	40
Power and fuel	15	15	9
Repairs and maintenance			
- Plant and machinery	2	-	1
- Others	3	0	2
Communication costs	20	3	12
Travel and conveyance	60	60	37
Business promotion	13	13	8
Legal and professional charges	55	47	34
Audit Fees	3	2	2
Loss on sale of Fixed Assets	0	-	-
Due and subscription	0	-	0
Rates and taxes	3	3	2
Recruitment, training and development	67	42	41
Provision for doubtful debts/ bad debts written off	6	-	4
Exchange differences (net)	96	468	59
Miscellaneous expenses	16	14	9
	424	721	260

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2.21 Income taxes

Particulars	Year ended 31 March 2018 (JPY)	Year ended 31 March 2017 (JPY)	Year ended 31 March 2018 (₹)
Current income tax charge	124	52	76
Deferred tax charge (credit)	60	(14)	37
	184	38	113

The reconciliation between the provision for income tax and amount computed by applying the statutory income tax rate is as follows:

Particulars	Year ended 31 March 2018 (JPY)	Year ended 31 March 2017 (JPY)	Year ended 31 March 2018 (₹)
Profit before income tax	310	48	191
Statutory tax rate	30.86%	30.74%	30.86%
Expected tax expense	96	15	59
Permanent differences	30	-	18
Non-taxable other income	-	(11)	-
Impact of rate change	(1)	-	(0)
Provision for enterprises tax	24	4	14
Foreign tax credit claimed	13	38	7
Provision created for prior year	22	10	14
Reversal of prior period provision	-	(18)	-
Total taxes	184	38	112
Effective income tax rate	59.17%	79.97%	59.10%

Components of deferred tax assets and liabilities as on 31 March 2018

Amount in (JPY)

Particulars	Opening balance	Recognized in profit and loss	Closing balance
Deferred tax assets			
Business losses	118	(89)	28
Provision for doubtful debts	-	1	1
Accrued employee costs	49	19	68
Depreciation and amortization	7	4	12
Others	6	1	7
Net deferred tax assets	180	(64)	116
Deferred tax liabilities			
Others	4	(4)	-
Gross deferred tax liabilities (B)	4	(4)	-
Net deferred tax assets (A-B)	176	(60)	116

Components of deferred tax assets and liabilities as on 31 March 2018

Amount in (₹)

Particulars	Opening balance	Recognized in profit and loss	Closing balance
Deferred tax assets			
Business losses	72	(55)	17
Provision for doubtful debts	-	1	1
Accrued employee costs	30	12	42
Depreciation and amortization	4	2	7
Others	4	1	4
Net deferred tax assets	110	(39)	71
Deferred tax liabilities			
Others	2	(2)	-
Gross deferred tax liabilities (B)	2	(2)	-
Net deferred tax assets (A-B)	108	(37)	71

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2.22 Earnings Per Share (EPS)

	Year ended		
	31st March 2018	31st March 2017	31st March 2018
	(JPY)	(JPY)	(₹)
Net profit (loss) as per Statement of profit and loss for computation of EPS	126	10	78
Weighted average number of equity shares outstanding in calculating basic and dilutive EPS	4,400	4,400	4,400
Nominal value of equity shares	50,000	50,000	30,700
Profit/(loss) per equity share			
- Basic and Diluted	28,747.73	2,156.94	17,651.10

2.23 Leases

i) Operating Leases: In case of assets taken on lease

The Company leases office spaces and accommodation for its employees under operating lease agreements. The lease rental expense recognized in the statement of profit and loss for the year is JPY 65 mn (31 March 2017 JPY 54 mn, 31 March 2018 ₹ 40 mn).

Future minimum lease payments and the payment profile of non-cancellable operating leases are as follows:

Particulars	As at		
	31 March 2018	31 March 2017	31 March 2018
	JPY	JPY	(₹)
Not later than one year	77	53	48
Later than one year but not later than five years	28	118	17
Later than five years	-	-	-
	105	171	65

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2.23 Leases (continued)

ii) Finance Lease: In case of assets given on lease

The Company has given servers to its customers on finance lease basis. The future lease payment receivables in respect of assets given on finance lease are as follows:

Particulars	Total minimum lease payments outstanding	Interest included in minimum lease payments	Present value of minimum lease payments
31 March 2018 (JPY)			
Not later than one year	15	1	14
Later than one year but not later than five years	29	3	26
Later than five years	-	-	-
	44	4	40
31 March 2017 (JPY)			
Not later than one year	4	0	4
Later than one year but not later than five years	7	1	7
Later than five years	4	1	3
	15	2	14
31 March 2018 (₹)			
Not later than one year	9	0	9
Later than one year but not later than five years	18	2	16
Later than five years	-	-	-
	27	2	25

2.24 Segment reporting

The company's operations predominantly relate to providing a range of IT & BPO services targeted at Global 2000 companies spread across America, Europe & Rest of the World. IT services include software services & IT infrastructure management services. Within software services, the company provides application development & maintenance, enterprise application, next generation SAAS (Software As A Service) application services and engineering and R&D (Research and Development) services to several global customers. Infrastructure management services involve managing customer's IT assets effectively. Business process outsourcing services include the traditional contact centre & help desk services and the next generation services around platform BPO & BPAAS (Business Process As A Service) delivered through a global delivery model.

The Chief Operating Decision Maker ("CODM") evaluates the company's performance by business segment, comprising software services, infrastructure management services and business process outsourcing services.

Accordingly, the above stated business segments have been identified as reportable segments for the purpose of segment reporting.

The CODM assesses the performance of the operating segments based on a measure of segment earnings.

The company has five geographic segments: India, America, Europe, Japan and Others.

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Segment accounting policies

The accounting principles used in the preparation of the financial statements are consistently applied to record revenue and expenditure in individual segments and are as set out in note 1 to the financial statements on significant accounting policies. The accounting policies in relation to segment accounting are as under:

a) Segment assets and liabilities

Assets and liabilities are not identified to any reportable segments, since these are increasingly used interchangeably across segments and consequently, the management believes that it is not practicable or meaningful to provide segment disclosures relating to assets and liabilities.

b) Segment revenue and expenses

Segment revenue is directly attributable to the segment and segment expenses have been allocated to various segments on the basis of specific identification. However, segment revenue does not include other income. Segment expenses do not include finance cost.

Financial information about the business segments for the year ended March 31, 2018 is as follows **(Amount in JPY)**

Particulars	Software Services	Business process outsourcing services	Infrastructure services	Total
Segment Revenues	9,416	51	1,062	10,529
Segment results	284	(74)	142	351
Unallocated corporate Expenses				(60)
Other income				0
Interest Income				22
Finance cost				(2)
Net profit before taxes	284	(74)	142	310
Tax expense				184
Net profit after tax				126
Significant non-cash adjustments				
Depreciation	8	0	68	76
Total				76
Provision / write off for doubtful debts & advances				6

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Financial information about the business segments for the year ended March 31, 2017 is as follows **(Amount in JPY)**

Particulars	Software Services	Business process outsourcing services	Infrastructure services	Total
Segment Revenues	9,170	50	1,165	10,385
Segment results	318	(11)	144	451
Unallocated corporate Expenses				(468)
Other income				1
Interest Income				68
Finance cost				(4)
Net profit before taxes	319	(11)	144	48
Tax expense				38
Net profit after tax				10
Significant non-cash adjustments				
Depreciation	8	0	60	68
Total				68
Provision / write off for doubtful debts & advances				-

Financial information about the business segments for the year ended March 31, 2018 is as follows **(Amount in ₹)**

Particulars	Software Services	Business process outsourcing services	Infrastructure services	Total
Segment Revenues	5,772	37	656	6,465
Segment results	174	(46)	87	215
Unallocated corporate expenses				(37)
Interest Income				0
Other income				13
Finance cost				(1)
Net profit before taxes	174	(46)	87	190
Tax expense				112
Net profit after tax				78
Significant non cash adjustments				
Depreciation	4	0	42	46
Total	4	0	42	46
Provision / write off for doubtful debts & advances				-

Segment revenue from customers by geographic area based on location of the customer is as follows:

Particulars	Year ended		
	31 March 2018	31 March 2017	31 March 2018
	JPY	JPY	(₹)
America	629	618	385
Europe	382	412	234
India	261	92	160
Japan	9,221	8,891	5,646
Others	36	372	40
Total	10,529	10,385	6,465

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2.25 Commitments

Particulars	As At		
	31 March 2018	31 March 2017	31 March 2018
	(JPY)	(JPY)	(₹)
Capital Commitments			
Estimated amount of unexecuted capital contracts	45	13	27
	45	13	27

2.26 Financial assets and liabilities

The carrying value of financial instruments by categories as at 31 March, 2018 is as follows:

Particulars	Amortized cost	Total carrying value	Amortized cost	Total carrying value
	(JPY)	(JPY)	(₹)	(₹)
Financial assets				
Trade receivables	2,148	2,148	1,319	1,319
Cash and cash equivalents	216	216	133	133
Loans	965	965	593	593
Others	416	416	256	256
Total	3,745	3,745	2,300	2,300
Financial liabilities				
Borrowings	-	-	-	-
Trade payables	2,594	2,594	1,593	1,593
Others	395	395	243	243
Total	2,989	2,989	1,836	1,836

The carrying value of financial instruments by categories as at 31 March, 2017 is as follows:

Particulars	Amortized cost	Total carrying value
	(JPY)	(JPY)
Financial assets		
Trade receivables	1,702	1,702
Cash and cash equivalents	5	5
Loans	6	6
Others	334	334
Total	2,047	2,047
Financial liabilities		
Borrowings	143	143
Trade payables	1,041	1,041
Others	366	366
Total	1,550	1,550

(b) Financial risk management

The Company is exposed to market risk, credit risk and liquidity risk which may impact the fair value of its financial instruments. The Company has a risk management policy to manage & mitigate these risks.

The Company's risk management policy aims to reduce volatility in financial statements while maintaining balance between providing predictability in the Company's business plan along with reasonable participation in market movement.

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2.26 Financial assets and liabilities(continued)

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of currency risk and interest rate risk. The Company is primarily exposed to fluctuation in foreign currency exchange rates.

(i) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in exchange rates. The Company's exposure to the risk of changes in exchange rates relates primarily to the Company's operations.

The exchange rate risk primarily arises from assets and liabilities denominated in curriences other than foreign curreny. An insignificant portion of the Company's revenue is in other foreign currency while a large protion of costs are in JPY . The fluctuation in exchange rates in respect to JPY may not have potential impact on the statement fo profit and loss and equity.

Appreciation / depreciation of 1% in respective foreign currencies with respect to functional currency of the Company would result in decrease / increase in the Company's profit before tax by approximately JPY 22 mn for the year ended 31 March, 2018.

The rate sensitivity is calculated by aggregation of the net foreign exchange rate exposure and a simultaneous parallel foreign exchange rates shift of all the currencies by 1% against the respective functional currencies of the Company and its branches. The sensitivity analysis presented above may not be representative of the actual change.

Non-derivative foreign currency exposure as of 31 March, 2018 and 31 March 2017 in major currencies is as below:

	Net financial assets		Net financial liabilities	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
	(JPY)	(JPY)	(JPY)	(JPY)
EUR/JPY	12	31	(141)	(28)
GBP/JPY	-	0	(4)	(99)
SGD/JPY	-	2	-	(1)
USD/JPY	2,563	1,927	(164)	(1,279)

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's investments are primarily in fixed rate interest bearing investments. Hence the Company is not significantly exposed to interest rate risk.

Credit risk

Financial instruments that potentially subject the Company to concentration of credit risk consist principally of cash and bank balances, trade receivables, unbilled revenue, finance lease receivables. By their nature, all such financial instruments involve risks, including the credit risk of nonperformance by counterparties.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligations associated with financial liabilities. The investment philosophy of the Company is capital preservation and liquidity in preference to returns. The Company consistently generates sufficient cash flows from operations and has access to multiple sources of funding to meet the financial obligations and maintain adequate liquidity for use.

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2.27 Related party transactions

a) Related parties where control exists

HCL Technologies Limited, India (Ultimate holding company)
HCL Technologies UK Limited (Holding company)

b) Related parties with whom transactions have taken place during the year

HCL Technologies Limited, India (Ultimate holding company)
HCL Technologies UK Limited (Holding company)
HCL America Inc.
Axon Solutions Inc
HCL (Brazil) Technologia da informacao Ltda
HCL Mexico S. de R.L.
HCL Axon Technologies Inc.
HCL Great Britain Limited
Axon Solutions Limited
HCL Belgium N.V.
HCL Singapore Pte Limited
HCL GmbH
HCL Technologies Philippines Inc.
HCL Technologies (Shanghai) Limited
HCL Technologies France
HCL Arabia LLC
HCL Axon Malaysia Sdn. Bhd.
PT. HCL Technologies Indonesia Limited
HCL America Solutions Inc
HCLT Ltd Ireland Branch
HCLT Limited Swiss Branch
HCL Hungary Kft
HCL Technologies Germany
HCL Tech Norway AS
HCLT Limited Portugal
HCL Tech Limited, Moscow
HCL Technologies Thailand
HCL Axon Solutions Tianjin
HCL Axon Solutions Beijing
HCLT Middle East
HCL Tech Denmark ApS
HCL Technologies Chile SPA
HCL Tech. Finland Oy
HCL Ireland Information s
HCL Axon (Pty) Ltd
HCL Technologies B.V.
HCL Technologies S.A.
HCL Hong Kong SAR Limited
HCL Technologies Mexico
HCL (Netherlands) B.V.
HCL Argentina S.A.
HCL Axon Tech. (Shanghai) Co. Limited
HCL Italy S.P.A.
HCL Poland sp. z o.o
HCL Sweden AB
HCL Technologies Sweden AB
HCL Technologies Austria GmbH
HCL Australia Services Pty Limited
HCL America Inc., United States of America
Geometric China, Inc.
HCL Argentina
HCL Axon Technologies Inc.-SD (fly Axon Solutions (Canada) I
HCL Netherlands B.V.
HCL Technologies Greece Single Member P.C.
HCL Technologies Limited (IOMC) Infra Division
HCL Technologies Limited- UAE Branch
HCL Technologies South Africa (Proprietary) Limited
HCL Technologies Sweden (IOMC)

Key Management Personnel

Neelanjan Bhattacharjee

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c) Transactions with related parties during the normal course of business

	Revenue	Operating and other expenses	Interest Income	Loan given	Repayment of Loan given
For the year ended 31 March 2018(JPY)					
Ultimate holding company	213	5,549	-	-	-
Holding company	55	5	-	-	-
Fellow Subsidiaries	479	581	22	994	-
Total	**747**	**6,135**	**22**	**994**	**-**
For the year ended 31 March 2017(JPY)					
Ultimate holding company	70	4,936	-	-	-
Holding company	14	58	-	-	-
Fellow Subsidiaries	551	1,743	68	6,959	14,697
Total	**635**	**6,737**	**68**	**6,959**	**14,697**
For the year ended 31 March 2018(₹)					
Ultimate holding company	131	3,407	-	-	-
Holding company	33	3	-	-	-
Fellow Subsidiaries	294	357	13	610	-
Total	**458**	**3,767**	**13**	**610**	**-**

d) Transactions with Key Managerial personnel during the year

	Year ended		
	31 March 2018	31 March 2017	31 March 2018
	(JPY)	(JPY)	(₹)
Representative Directors Remuneration	23	24	14
	23	**24**	**14**

The remuneration to the key management personnel does not include provision made for leave benefits, as they are determined on an actuarial basis for the Company as a whole.

e) Outstanding balances

	Trade Receivables & other receivables	Unbilled Revenue	Interest Receivable on short term loans	Trade Payables	Liablity For Expenses	Deferred Cost	Short Term Loans
For the year ended 31 March 2018(JPY)							
Ultimate holding company	170	-	-	2,218	187	31	-
Holding company	52	-	-	1	-	-	-
Fellow Subsidiaries	348	-	22	332	4	4	955
Total	**570**	**-**	**22**	**2,551**	**191**	**35**	**955**
For the year ended 31 March 2017(JPY)							
Ultimate holding company	45	7	-	731	181	7	-
Holding company	11	-	-	84	2	-	-
Fellow Subsidiaries	160	6	15	188	15	-	-
Total	**216**	**13**	**15**	**1,003**	**198**	**7**	**-**
For the year ended 31 March 2018(₹)							
Ultimate holding company	104	-	-	1,361	115	19	-
Holding company	32	-	-	1	-	-	-
Fellow Subsidiaries	214	-	14	204	3	2	587
Total	**350**	**-**	**14**	**1,566**	**118**	**21**	**587**

3. Previous year comparatives

The Company has changed its presentation from " in absolute" to " in millions" and accordingly, amounts less than 0.50 millions are rounded off to Nil. The figures of previous year have been re-arranged to conform to current year presentation.

As per our report of even date

For S. R. BATLIBOI & CO. LLP
ICAI Firm Registration Number: 301003E/E300005
Chartered Accountants

per Nilangshu Katriar
Partner
Membership Number: 058814

Gurugram, India
Date: 29th June '2018

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For and on behalf of the Board of Directors
of HCL Japan Limited

Neelanjan Bhattacharjee
Director

Date: 29th June '2018

Sundaram Sridharan
Director