C3i Japan GK

FINANCIAL STATEMENTS

For the year ended December 31, 2021 and 2020

B S R & Co. LLP
Chartered Accountants

Building No. 10, 12th Floor, Tower-C,
DLF Cyber City, Phase-II,
Gurugram – 122 002, India

Telephone: +91 124 719 1000
Fax: +91 124 235 8613

Independent Auditor's Report

To the Board of Directors of C3i Japan GK

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of C3i Japan GK ("the Company"), which comprise the Balance Sheet as at 31 December 2021, and the Statement of Profit and Loss (including other comprehensive income), Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies and other explanatory information (collectively referred to as 'the financial statements').

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give a true and fair view in accordance with the Indian Accounting Standards (Ind AS) prescribed under section 133 of the Companies Act, 2013 ('the Act') read with the Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time) and other accounting principles generally accepted in India, of the state of affairs of the Company as at 31 December 2021, and its profit and other comprehensive income, changes in equity and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing ('SAs') issued by the Institute of Chartered Accountants of India (ICAI). Our responsibilities under those SAs are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the financial statements.

Management's and Board of Directors' Responsibility for the Financial Statements

The Company's Management and Board of Directors are responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, profit/loss (including other comprehensive income), changes in equity and cash flows of the Company in accordance with the Indian Accounting Standards (Ind AS) prescribed under section 133 of the Companies Act, 2013 ('the Act') read with the Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time) and presentation requirements of Schedule III (Division II) to the Companies Act, 2013, as applicable, to the financial statements. This responsibility also includes maintenance of adequate accounting records 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 design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management and Board of Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures in the financial statements made by the Management and Board of Directors.

- Conclude on the appropriateness of the Management and Board of Directors use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Other Matter-Restriction on Use

These financial statements are prepared for the use of the Company and the ultimate holding Company, HCL Technologies Limited, to comply with the requirements of the Act. These financial statements are not the statutory financial statements of the Company. As a result, these financial statements may not be suitable for any other purpose. Our report must not be copied, disclosed, quoted, or referred to, in correspondence or discussion, in whole or in part to anyone other than the purpose for which it has been issued without our prior written consent.

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No. 101248W/W-100022

Rakesh Dewan

Rakesh Dewan
Partner
Membership No. 092212
ICAI UDIN: 22092212ALBBDL4086

Place: Gurugram, India
Date: 16 June 2022

C3i Japan GK
Balance Sheet as at 31 December 2021
(All amount in thousands, except share data and as stated otherwise)

	Note No.	As at 31 December 2021 (JPY)	As at 31 December 2020 (JPY)
I. ASSETS			
(1) Non-current assets			
(a) Property, plant and equipment	**2.01(A)**	22,910	28,413
(b) Right-of-use assets	**2.16**	31,091	12,481
(c) Other intangible assets	**2.01(B)**	144	275
(d) Deferred tax assets (net)	**2.15**	7,985	4,015
(e) Other non-current assets	**2.02**	18,336	18,500
(2) Current assets			
(a) Financial assets			
(i) Trade receivables	**2.03**	34,586	10,041
(ii) Cash and cash equivalents	**2.04**	21,845	29,863
(iii) Unbilled receivables		17,501	248
(b) Other current assets	**2.05**	4,924	9,912
TOTAL ASSETS		**159,322**	**113,748**
II. EQUITY			
(a) Equity share capital	**2.06**	-	-
(b) Other equity		46,694	36,912
III. LIABILITIES			
(1) Non - current liabilities			
(a) Financial liabilities			
(i) Lease liabilities	**2.16**	12,396	-
(2) Current liabilities			
(a) Financial liabilities			
(i) Borrowings		49,000	32,172
(ii) Trade payables	**2.07**	999	660
(iii) Lease liabilities	**2.16**	16,881	10,842
(iv) Others	**2.08**	12,599	7,683
(b) Other current liabilities	**2.09**	14,028	22,057
(c) Current tax liabilities (net)		6,725	3,422
TOTAL EQUITY AND LIABILITIES		**159,322**	**113,748**
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 B S R & Co. LLP
Chartered Accountants
Firm Registration Number :101248W/W-100022

Rakesh Dewan
Rakesh Dewan (Jun 16, 2022 14:24 GMT+5.5)

Rakesh Dewan
Partner
Membership Number: 092212

Gurugram, India
Date: June 16, 2022

For and on behalf of the Board of Manager
of C3i Japan GK

Masayuki Nakayama
Masayuki Nakayama (Jun 16, 2022 15:35 GMT+9)

Sundaram Sridharan
Manager

Masayuki Nakayama
Manager

Date: June 16, 2022

C3i Japan GK
Statement of Profit and Loss for the year ended 31 December 2021
(All amount in thousands, except share data and as stated otherwise)

		Note No.	Year ended 31 December 2021 (JPY)	Year ended 31 December 2020 (JPY)
I	**Revenue**			
	Revenue from operations	**2.10**	213,872	166,622
	Other income	**2.11**	257	7,580
	Total revenue		**214,129**	**174,202**
II	**Expenses**			
	Employee benefits expense	**2.12**	134,401	82,775
	Finance costs	**2.13**	1,054	618
	Depreciation and amortization expense		25,104	23,038
	Other expenses	**2.14**	37,728	47,304
	Total expenses		**198,287**	**153,735**
III	**Profit before tax**		**15,842**	**20,467**
IV	**Tax expense**			
	Current tax		10,030	9,280
	Deferred tax (credit)		(3,970)	(3,190)
	Total tax expense	**2.15**	6,060	6,090
V	**Profit for the year**		**9,782**	**14,377**
VI	**Other comprehensive income**			
	Items that will not be reclassified to profit or loss		-	-
	Items that will be reclassified subsequently to profit or loss		-	-
			-	-
VII	**Total Comprehensive Income for the year**		**9,782**	**14,377**
	Earnings per share			
	Basic and Diluted	**2.20**		
	Summary of significant accounting policies	**1**		

The accompanying notes are an integral part of the financial statements

As per our report of even date

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Gurugram, India
Date: June 16, 2022

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of C3i Japan GK

Sundaram Sridharan
Manager

Masayuki Nakayama
Masayuki Nakayama (Jun 16, 2022 15:35 GMT+9)

Masayuki Nakayama
Manager

Date: June 16, 2022

C3i Japan GK
Statement of Changes in Equity for the year ended 31 December 2021
(All amount in thousands, except share data and as stated otherwise)

	Equity share capital	Other Equity
	(JPY)	(JPY)
Balance as of January 1, 2020	-	22,535
Profit for the year	-	14,377
Other comprehensive income	-	-
Total comprehensive income for the year	-	14,377
Balance as of 31 December, 2020	-	36,912
Balance as of January 1, 2021	-	36,912
Profit for the year	-	9,782
Other comprehensive income	-	-
Total comprehensive income for the year	-	9,782
Balance as of 31st December, 2021	-	46,694

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 B S R & Co. LLP
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Firm Registration Number : 101248W/W-100022

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Rakesh Dewan
Partner
Membership Number: 092212

Gurugram, India
Date: June 16, 2022

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of C3i Japan GK

Masayuki Nakayama
Masayuki Nakayama (Jun 16, 2022 15:35 GMT+9)

Sundaram Sridharan
Manager

Masayuki Nakayama
Manager

Date: June 16, 2022

C3i Japan GK
Cash Flow Statement for the year ended 31 December 2021
(All amount in thousands, except share data and as stated otherwise)

		Year ended 31 December 2021 (JPY)	Year ended 31 December 2020 (JPY)
A. Cash flows from operating activities			
Profit before tax		15,842	20,467
Adjustment for:			
Depreciation and amortization expense		25,104	23,038
Interest expense		758	384
Interest Income		(212)	(263)
Unrealised exchange loss/(gain)		14,807	(9,091)
Provision for doubtful advances		606	44
		56,905	**34,579**
Net change in			
Trade receivables		(39,353)	(949)
Other financial assets and other assets		(12,871)	11,337
Trade payables		339	4,534
Provisions, other financial liabilities and other liabilities		(3,228)	(7,196)
Cash generated from operations		**1,792**	**42,305**
Income taxes paid (net of refunds)		(6,726)	(7,968)
Net cash flow (used in)/from operating activities	**(A)**	**(4,934)**	**34,337**
B. Cash flows from investing activities			
Purchase of property,plant and equipment		(770)	(31,590)
Purchase of intangibles		-	(393)
Net cash flow (used in) investing activities	**(B)**	**(770)**	**(31,983)**
C. Cash flows from financing activities			
Payment of lease liability including interest		(18,650)	(18,650)
Proceeds from short term borrowings		45,000	32,000
Repayment of short term borrowings		(28,000)	-
Payment of interest on short term borrowings		(664)	-
Net cash flow (used in)/from financing activities	**(C)**	**(2,314)**	**13,350**
Net (decrease)/increase in cash and cash equivalents (A+B+C)		(8,018)	15,704
Cash and cash equivalents at the beginning of the year		29,863	14,159
Cash and cash equivalents at the end of the year as per note 2.04		**21,845**	**29,863**

Summary of significant accounting policies (Note 1)

As per our report of even date

For B S R & Co. LLP
Chartered Accountants
Firm Registration Number : 101248W/W-100022

Rakesh Dewan
Rakesh Dewan (Jun 16, 2022 14:24 GMT+5.5)

Rakesh Dewan
Partner
Membership Number: 092212

Gurugram, India
Date: June 16, 2022

For and on behalf of the Board of Manager
of C3i Japan GK

Masayuki Nakayama
Masayuki Nakayama (Jun 16, 2022 15:35 GMT+9)

Sundaram Sridharan	**Masayuki Nakayama**
Manager	Manager

Date: June 16, 2022

ORGANIZATION AND NATURE OF OPERATIONS

C3i Japan GK (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 July 2013, having its registered office at 32nd Floor East, Ark Mori Building, 1-12-32 Akasaka, Minato-Ku, Tokyo 107-6032, Japan.

The financial statements for the year ended 31 December 2021 were approved and authorized for issue by the Board of Managers on 16th June'2022.

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) prescribed under section 133 of the Companies Act, 2013 read with the Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time.) and presentation requirements of Schedule III (Division II) to the Companies Act, 2013, as applicable to the financial statements. The Company is not domiciled in India and hence was not incorporated under Companies Act, 2013 or under any previous Company law in India. These financial statements do not constitute a set of statutory financial statements in accordance with local laws of the Country in which the Company is incorporated.

These financial statements have been prepared under the historical cost convention on an accrual and going concern basis except for certain financial assets and liabilities which have been measured at fair value (refer accounting policy regarding financial instruments).

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous year except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy.

All assets and liabilities have been classified as current and non-current as per the Company's normal operating cycle of 12 months. The statement of cash flows has been prepared under indirect method.

The functional currency of the Company is JPY.

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 for 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.

Significant estimates and assumptions are used for, but not limited to,
i. Allowance for uncollectible accounts receivables, refer note 1(j)(i)
ii. Recognition of income and deferred taxes, refer note 1(i) and note 2.15
iii. Useful lives of property, plant and equipment, refer note 1(d)
iv. Identification of leases and measurement of lease liabilities and right of use assets, refer note 1(c)

c) Leases

Company as a lessee

A lease is a contract that contains right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee

Company is lessee in case of office accommodation. These leases are evaluated to determine whether it contains lease based on principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors as defined in Ind AS 116.

Effective 1 January 2020, all leases with a term of more than 12 months are recognized as right-of-use assets along with associated lease liabilities, in the balance sheet.

Right-of-use asset represents the Company's right to control the underlying assets under lease and the lease liability is the obligation to make the lease payments related to the underlying asset under lease. Right-of-use asset is measured initially based on the lease liability adjusted for any initial direct costs, prepaid rent, and lease incentives. Right-of-use asset is depreciated based on straight line method over the lease term or useful life of right-of-use asset, whichever is less. Subsequently, right-of-use asset is measured at cost less any accumulated depreciation, accumulated impairment losses, if any and adjusted for any remeasurement of lease liability.

The lease liability is measured at the lease commencement date and determined using the present value of the minimum lease payments not yet paid and the Company's incremental borrowing rate, which approximates the rate at which the Company would borrow, in the country where the lease was executed. The Company has used a single discount rate for a portfolio of leases with reasonably similar characteristics. The lease payment comprises fixed payment less any lease incentives, variable lease payment that depends on an index or a rate, exercise price of a purchase option if the Company is reasonably certain to exercise the option and payment of penalties for terminating the lease, if the lease term reflects the Company exercising an option to terminate the lease. Lease liability is subsequently measured by increase the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made and remeasuring the carrying amount to reflect any reassessment or modification, if any.

The Company has elected to not recognize leases with a lease term of 12 months or less in the balance sheet, including those acquired in a business combination, and lease costs for those short-term leases are recognized on a straight-line basis over the lease term in the statement of profit and loss. For all asset classes, the Company has elected the lessee practical expedient to combine lease and non-lease components and account for the combined unit as a single lease component in case there is no separate payment defined under the contract.

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 or contingency is resolved.

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 present value of lease receivable. 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.

When arrangements include multiple performance obligations, the Company allocates the consideration in the contract between the lease components and the non-lease components on a relative selling price basis.

d) 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)
Laptops	4
Office equipment	5
Computer	5
Furniture and fixture	7
Leasehold Improvements-equipment	5
Leasehold Improvements-furniture & fixture	7
Plant and machinery	10

The useful life as given above best represent the period over which the management expects to use these assets, based on technical assessment. 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.

e) 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 amortization 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 amortization period and the amortization 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 amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization 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 management's estimates of the useful lives of intangible assets for computing depreciation are as follows:

Category of asset	Life (in years)
Software	3

f) 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.

g) Revenue Recognition

Contracts involving provision of services and material

Revenue is recognized when, or as, control of a promised service or good transfers to a customer, in an amount that reflects the consideration to which the Company expects to be entitled in exchange for transferring those products or services. To recognize revenues, the following five step approach is applied: (1) identify the contract with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenues when a performance obligation is satisfied. Contract is accounted when it is legally enforceable through executory contracts, approval and commitment from all parties, the rights of the parties are identified, payment terms are defined, the contract has commercial substance and collectability of consideration is probable.

Revenue from Information Technology enabled services (ITES) is recognized on cost plus model when services has been rendered, the fee is determinable and collectability is reasonably assured in terms of master service agreement.

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.

Time-and-material / Volume based / Transaction based contracts

Revenue with respect to time-and-material, volume based and transaction based contracts is recognized as the related services are performed through efforts expended, volume serviced transactions are processed etc. that correspond with value transferred to customer till date which is related to our right to invoice for services performed.

Interest income

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.

h) 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.

i) Income Taxes

Income tax expense comprises current and deferred income tax. Income tax expense is recognized in statement of profit and loss. 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.

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.

j) 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
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.

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.

k) 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.

l) 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.

m) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash in banks.

n) Contingent liabilities

The company uses significant judgement to disclose contingent liabilities. Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount cannot be made. Contingent assets are neither recognized nor disclosed in the financial statements.

o) Impairment of non-financial assets

Intangible assets and property, plant and equipment

Intangible assets and property, plant and equipment are evaluated for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the CGU to which the asset belongs. If such assets are considered to be impaired, the impairment to be recognized in the statement of profit and loss is measured by the amount by which the carrying value of the asset exceeds the estimated recoverable amount of the asset.

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2.01(A) Property, plant and equipment

The changes in the carrying value for the year ended 31 December 2021

	Gross block				Accumulated depreciation				Net block	
	As at 1 January 2021	Additions	Deletions/ Adjustments	As at 31 December 2021	As at 1 January 2021	Charge for the year	Deletions/ Adjustments	As at 31 December 2021	As at 31 December 2021	As at 31 December 2020
	(JPY)	(JPY)	(JPY)	(JPY)	(JPY)	(JPY)	(JPY)	(JPY)	(JPY)	(JPY)
Leasehold improvements-equipment	14,890	-	-	14,890	2,175	2,978	-	5,153	9,737	12,715
Leasehold improvements-furniture and fixture	5,300	-	-	5,300	560	757	-	1,317	3,983	4,740
Furniture and Fixture	466	-	-	466	49	66	-	115	350	416
Office Equipment	2,792	372	-	3,164	258	603	-	861	2,303	2,534
Computers	9,812	398	-	10,210	3,316	1,708	-	5,024	5,186	6,496
Plant & Machinery	1,612	-	-	1,612	99	161	-	260	1,351	1,512
Total	**34,872**	**770**	**-**	**35,642**	**6,457**	**6,272**	**-**	**12,730**	**22,910**	**28,413**

The changes in the carrying value for the year ended 31 December 2020

	Gross block				Accumulated depreciation				Net block	
	As at 1 January 2020	Additions	Deletions/ Adjustments	As at 31 December 2020	As at 1 January 2020	Charge for the year	Deletions/ Adjustments	As at 31 December 2020	As at 31 December 2020	As at 31 December 2019
	(JPY)	(JPY)	(JPY)	(JPY)	(JPY)	(JPY)	(JPY)	(JPY)	(JPY)	(JPY)
Leasehold improvements-equipment	-	14,890	-	14,890	-	2,175	-	2,175	12,715	-
Leasehold improvements-furniture and fixture	-	5,300	-	5,300	-	560	-	560	4,740	-
Furniture and Fixture	-	466	-	466	-	49	-	49	416	-
Office Equipment	-	2,792	-	2,792	-	258	-	258	2,534	-
Computers	3,282	6,530	-	9,812	2,301	1,015	-	3,316	6,496	981
Plant & Machinery	-	1,612	-	1,612	-	99	-	99	1,512	-
Total	**3,282**	**31,590**	**-**	**34,872**	**2,301**	**4,156**	**-**	6,457	**28,413**	**981**

2.01(B) Other intangible assets
The changes in the carrying value for the year ended 31 December 2021

	Gross block				Accumulated amortization				Net block	
	As at 1 January 2021	Additions	Deletions/ Adjustments	As at 31 December 2021	As at 1 January 2021	Charge for the year	Deletions/ Adjustments	As at 31 December 2021	As at 31 December 2021	As at 31 December 2020
	(JPY)	(JPY)	(JPY)	(JPY)	(JPY)	(JPY)	(JPY)	(JPY)	(JPY)	(JPY)
Software	393	-	-	393	118	131	-	249	144	275
Total	**393**	**-**	**-**	**393**	**118**	**131**	**-**	**249**	**144**	**275**
Estimated remaining useful life (in years)									**1**	**2**

(All amount in thousands, except share data and as stated otherwise)

2.02 Other non-current assets

	As at	
	31 December 2021	31 December 2020
	(JPY)	(JPY)
Non Current		
Security deposits	18,336	18,500
	18,336	**18,500**

2.03 Trade Receivable

	As at	
	31 December 2021	31 December 2020
	(JPY)	(JPY)
Current		
Unsecured considered good (refer note below)	34,586	10,041
	34,586	**10,041**

Note: Includes receivables from related parties amounting to JPY 34,333 (31 December 2020, JPY 8,921) (refer note-2.19 (d))

2.04 Cash and cash equivalents

	As at	
	31 December 2021	31 December 2020
	(JPY)	(JPY)
Balance with banks		
in current accounts	21,845	29,863
	21,845	**29,863**

2.05 Other current assets

	As at	
	31 December 2021	31 December 2020
	(JPY)	(JPY)
Unsecured		
Advances to supplier	-	19
Advances to employees	629	170
Less: Provision for doubtful advances	(606)	(67)
	23	**122**
Others		
Prepaid expenses	1,868	1,532
Consumption tax receivable	3,033	8,258
	4,924	**9,912**

2.06 Share Capital

	As at	
	31 December 2021	31 December 2020
	Amount (JPY)	Amount (JPY)
Equity share capital*	-	-

Terms/ rights attached to equity shares

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.

*Note: Represents value less than 10

(All amount in thousands, except share data and as stated otherwise)

Shares held by holding company and or their subsidiaries/associates

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

Particulars	As at	
	31 December 2021	31 December 2020
	Amount (JPY)	Amount (JPY)
Telerex Marketing Inc.	1	1

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

Particulars	As at	
	31 December 2021	31 December 2020
	Amount (JPY)	Amount (JPY)
Telerex Marketing Inc.	100%	100%

The immediate parent company is Telerex Marketing Inc. and the ultimate holding company is HCL Technologies Limited.

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.The Company have also resorted to borrowing to meet local funding requirements from other group affiliate entity.

2.07 Trade payables

	As at	
	31 December 2021	31 December 2020
	(JPY)	(JPY)
Trade payables	999	660
	999	**660**

2.08 Other financial liabilities

	As at	
	31 December 2021	31 December 2020
	(JPY)	(JPY)
Current		
Interest payable on borrowings	116	-
Liabilities for expenses	7,361	3,809
Other payables-related parties (refer note-2.19 (d))	5,122	3,874
	12,599	**7,683**

2.09 Other current liabilities

	As at	
	31 December 2021	31 December 2020
	(JPY)	(JPY)
Advances received from customers- related parties (refer note-2.19 (d))	-	11,644
Accrued salaries and benefits		
Employee costs	11,410	8,636
Others		
Withholding and other taxes payable	2,618	1,777
	14,028	**22,057**

2.10 Revenue from operations

	Year ended	Year ended
	31 December 2021	31 December 2020
	(JPY)	(JPY)
Sale of services	213,872	166,622
	213,872	**166,622**

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Disaggregate Revenue Information
The disaggregated revenue from contracts with the customers by contract type is as follows:

	Year ended 31 December 2021 (JPY)	Year ended 31 December 2020 (JPY)
Contract type		
Time and material	213,872	166,622
	213,872	**166,622**
Geography wise		
America	211,225	165,350
Japan	2,647	1,272
	213,872	**166,622**

Remaining performance obligations

As at 31 December 2021, the aggregate amount of transaction price allocated to remaining performance obligations as per the requirements of Ind AS 115 was nil. This is after exclusions of below:
a) Contracts for which we recognize revenues based on the right to invoice for services performed,
b) Variable consideration allocated entirely to a wholly unsatisfied performance obligation or to a wholly unsatisfied promise to transfer a distinct good or service that forms part of a single performance obligation,or
c) Variable consideration in the form of a sales-based or usage-based royalty promised in exchange for a license of intellectual property.

Contract balances

Contract assets : A contract asset is a right to consideration that is conditional upon factors other than the passage of time. Contract assets are recognized where there is excess of revenue over the billings. Revenue recognized but not billed to customers is classified either as contract assets or unbilled receivable in balance sheet. Contract assets primarily relate to unbilled amounts on fixed price contracts using the cost to cost method of revenue recognition. Unbilled receivables represents contracts where right to consideration is unconditional (i.e. only the passage of time is required before the payment is due).

Contract liabilities : A contract liability arises when there is excess billing over the revenue recognized. The company does not have any contract liabilities as on 31 December 2021.

Deferred contract cost : Deferred contract cost represents the contract fulfilment cost and cost for obtaining the contract.

The company does not have any deferred contract cost as on 31 December 2021 and 31 December 2020.

Reconciliation of revenue recognised with the contracted price is as follows:

	Year ended 31 December 2021 (JPY)	Year ended 31 December 2020 (JPY)
Contract price	213,872	166,622
Reduction towards variable consideration components	-	-
Revenue recognised	**213,872**	**166,622**

The reduction towards variable consideration comprises of volume discounts, service level credits, etc.

2.11 Other income

	Year ended 31 December 2021 (JPY)	Year ended 31 December 2020 (JPY)
Exchange differences (net)	-	7,317
Interest income on financial instruments carried at amortized cost	212	263
Miscellaneous income	45	-
	257	**7,580**

2.12 Employee benefits expense

	Year ended 31 December 2021 (JPY)	Year ended 31 December 2020 (JPY)
Salaries, wages and bonus	118,734	72,424
Contribution to legal welfare and other funds	15,667	10,184
Staff welfare expenses	-	167
	134,401	**82,775**

2.13 Finance cost

	Year ended 31 December 2021 (JPY)	Year ended 31 December 2020 (JPY)
Interest		
-on lease liability	150	212
-on loans from related party (refer note-2.19 (c))	608	172
Bank charges	296	234
	1,054	**618**

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2.14 Other expenses

	Year ended 31 December 2021 (JPY)	Year ended 31 December 2020 (JPY)
Rent	-	7,351
Power and fuel	938	4,738
Repairs and maintenance - Others	1,016	8,980
Communication costs	325	900
Travel and conveyance	4,047	9,748
Business promotion	-	17
Legal and professional charges	5,634	5,826
Recruitment, training and development	949	3,203
Rates & taxes	427	-
Exchange differences (net)	12,778	-
Outsourcing cost	5,858	4,476
Miscellaneous expenses	5,756	2,065
	37,728	**47,304**

2.15 Income taxes

Particulars	Year ended 31 December 2021 (JPY)	Year ended 31 December 2020 (JPY)
Current income tax charge	10,030	9,280
Deferred tax (credit)	(3,970)	(3,190)
Total	**6,060**	**6,090**

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 December 2021 (JPY)	Year ended 31 December 2020 (JPY)
Profit before income tax	15,842	20,467
Statutory tax rate	36.73%	36.34%
Expected tax expense	**5,820**	**7,437**
Permanent differences	-	8
Impact of rate change	24	(596)
Lease - IND AS 116 (transition impact)	-	714
Deduction for enterprise tax paid	(477)	(826)
Impact of prior period provisions	693	44
Others	-	(691)
Total taxes	**6,060**	**6,090**
Effective income tax rate	38.25%	29.76%

Components of deferred tax assets and liabilities as on 31 December 2021 **Amount in (JPY)**

Particulars	Opening balance	Recognized in profit and loss	Closing balance
Deferred tax assets			
Travel provision	1,082	102	1,184
Provision for expenses	256	2,414	2,670
Accrued employee costs	963	519	1,482
Depreciation and amortization	1,356	212	1,568
Leave encashment	927	782	1,709
Others	26	13	39
Net deferred tax assets	**4,610**	**4,042**	**8,652**
Deferred tax liabilities			
Lease - IND AS 116	595	72	667
Gross deferred tax liabilities (B)	**595**	**72**	**667**
Net deferred tax assets (A-B)	**4,015**	**3,970**	**7,985**

(All amount in thousands, except share data and as stated otherwise)

2.15 Income taxes (continued)

Components of deferred tax assets and liabilities as on 31 December 2020

Particulars	Opening balance	Recognized in profit and loss	Closing balance
Deferred tax assets			
Travel provision	358	724	1,082
Provision for expenses	159	97	256
Accrued employee costs	251	712	963
Depreciation and amortization	59	1,297	1,356
Leave encashment	-	27	27
Others	-	927	927
Net deferred tax assets	**827**	**3,784**	**4,611**
Deferred tax liabilities			
Lease - IND AS 116	-	595	595
Others	3	(2)	1
Gross deferred tax liabilities (B)	**3**	**593**	**596**
Net deferred tax assets (A-B)	**824**	**3,191**	**4,015**

2.16 Leases

(a) Company as a lessee

The company's significant leasing arrangements is in respect of leases for office accommodation.

The details of the right-of-use asset held by the company is as follows:

	Year ended 31 December 2021 (JPY)
Balance as at 1 January 2021	12,481
Additions	37,310
Depreciation charge for the year	(18,700)
Balance as at 31 December 2021	**31,091**

The reconciliation of lease liabilities is as follows:

	Year ended 31 December 2021 (JPY)
Balance as at 1 January 2021	10,842
Additions	36,935
Amounts recognized in statement of profit and loss as interest expense	150
Payment of lease liabilities	(18,650)
Balance as at 31 December 2021	**29,277**

The lease rental expense relating to short-term leases recognized in the statement of profit and loss for the year amounted to JPY NIL

The following table presents a maturity analysis of expected undiscounted cash flows for lease liabilities as on 31 December 2021:

	Year ended 31 December 2021 (JPY)	Year ended 31 December 2020 (JPY)
Within one year	17,096	10,879
One to two years	12,433	-
Total lease payments	**29,529**	**10,879**
Imputed interest	(252)	(37)
Total lease liabilities	**29,277**	**10,842**

Certain lease agreements include options to terminate or extend the leases. The lease agreements do not contain any material residual value guarantees or material restrictive covenants.

During the previous year ended 31 December 2021, the aggregate lease rental expense recognized in the statement of profit and loss as per Ind AS 116 amounted to JPY Nil and the lease equalization amount for non-cancellable operating lease payable in future years and accounted for by the company was Nil.

(All amount in thousands, except share data and as stated otherwise)

2.17 Segment reporting

Operating segments are defined as components of an enterprise for which discrete financial information is available and whose their results are reviewed regularly by the chief operating decision maker (CODM), for allocation of resources and assessing performance. The Company's ultimate holding company, HCL Technologies Limited's chief operating decision maker (CODM) reviews its results for allocation of resources and assessing performance by business segment comprising IT and Business Services, Engineering and R&D Services, and Products & Platforms segment. The ultimate Holding Company monitors the risk and returns of the Company's businesses on an entity level and evaluates the performance of the Company as one business segment which is overall a part of the reorganized entity level business segments. Hence there is only one reportable segment of the Company, as envisaged under Indian Accounting Standards -108 "Operating segments".

Revenue disaggregation as per geography is given in note 2.10.

2.18 Financial assets and liabilities

The carrying value of financial instruments by categories as at 31 December 2021 is as follows:

Particulars	Amortized	Total
	(JPY)	(JPY)
Financial assets		
Trade receivables	34,586	34,586
Cash and cash equivalents	21,845	21,845
Unbilled receivables	17,501	17,501
Total	**73,932**	**73,932**
Financial liabilities		
Borrowings	49,000	49,000
Trade payables	999	999
Lease liabilities	29,277	29,277
Others	12,599	12,599
Total	**91,875**	**91,875**

The carrying value of financial instruments by categories as at 31 December 2020 is as follows:

Particulars	Amortized	Total
	(JPY)	(JPY)
Financial assets		
Trade receivables	10,041	10,041
Cash and cash equivalents	29,863	29,863
Unbilled receivables	248	248
Total	**40,152**	**40,152**
Borrowings	32,172	32,172
Trade payables	660	660
Lease liabilities	10,842	10,842
Others	7,683	7,683
Total	**51,357**	**51,357**

Trade receivables have been valued after making reserve for allowances based on the expected credit loss method, considering factors like ageing, likelihood of increased credit risk and expected realizability, nature of customer verticals.

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 currencies other than foreign currency. An insignificant portion of the Company's revenue is in other foreign currency while a large portion of costs are in JPY . The fluctuation in exchange rates in respect to JPY may not have potential impact on the statement of 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 2867 for the year ended 31 December 2021.

(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. 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,unbilled receivables and trade receivables. The cash resources of the Company are invested with banks after an evaluation of the credit risk. By their nature, all such financial instruments involve risks, however there is no credit risk of nonperformance by counterparties as the entire revenue belongs to group company.

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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Maturity profile of the company's financial liabilities based on contractual payments is as below:

	Year 1 Current	Year 2	Year 3	Year 4-5 and thereafter	Total
As at 31 December 2021					
Borrowings	49,000	-	-	-	49,000
Trade payables	999	-	-	-	999
Lease liabilities	17,096	12,433	-	-	29,529
Other financial liabilities	12,599	-	-	-	12,599
Total	**79,694**	**12,433**	**-**	**-**	**92,127**
As at 31 December 2020					
Borrowings	32,172	-	-	-	32,172
Trade payables	660	-	-	-	660
Lease liabilities	10,879	-	-	-	10,879
Other financial liabilities	7,683	-	-	-	7,683
Total	**51,394**	**-**	**-**	**-**	**51,394**

2.19 Related party transactions

a) Related parties where control exists
HCL Technologies Limited, India (Ultimate holding company)
Telerex Marketing Inc (Holding company)

b) Related parties with whom transactions have taken place during the year
Telerex Marketing Inc (Holding company)
HCL Japan Limited (Fellow subsidiary)
HCL Asia Pacific Pte Limited (Fellow subsidiary)

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

	Revenue	Interest Expense	Loan taken	Loan Remittance
For the year ended 31 December 2021(JPY)				
Holding company	211,225	-	-	-
Fellow subsidiary company	-	608	45,000	28,000
Total	**211,225**	**608**	**45,000**	**28,000**
For the year ended 31 December 2020(JPY)				
Holding company	166,622	-	-	-
Fellow subsidiary company	-	172	32,000	-
Total	**166,622**	**172**	**32,000**	**-**

d) Outstanding balances

	Unbilled receivables	Trade receivables	Interest payable on borrowings	Other payables	Advances	Borrowings
For the year ended 31 December 2021(JPY)						
Holding company	17,214	34,250	-	-	-	-
Fellow subsidiary company	-	83	116	5122	-	49,000
Total	**17,214**	**34,333**	**116**	**5,122**	**-**	**49,000**
For the year ended 31 December 2020(JPY)						
Holding company	-	133	-	-	11,644	-
Fellow subsidiary company	-	8,788	172	3874	-	32,000
Total	**-**	**8,921**	**172**	**3,874**	**11,644**	**32,000**

2.20 Earnings Per Share (EPS)
C3i Japan GK has no physical shares and the share capital of the company is JPY 1. Therefore calculation of basic and diluted EPS is not applicable.

2.21 Commitments

	As at	
	31 December 2021	31 December 2020
	(JPY)	(JPY)
Capital commitments		
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	-	170,730
	-	**170,730**

2.22 Subsequent event

The Company has evaluated all the subsequent events through 16 June 2022 which is the date on which these financial statements were issued, and no events have occurred from the balance sheet date through that date except for matters that have already been considered in the financial statements.

The Company has presented its financial statements in "JPY in Thousands" and accordingly, amounts less than JPY 0.50 thousands are rounded off to zero.

As per our report of even date

For B S R & Co. LLP
Chartered Accountants
Firm Registration Number : 101248W/W-100022

Rakesh Dewan
Rakesh Dewan (Jun 16, 2022 14:24 GMT+5.5)

Rakesh Dewan
Partner
Membership Number: 092212

Gurugram, India
Date: June 16, 2022

For and on behalf of the Board of Manager
of C3i Japan GK

Masayuki Nakayama
Masayuki Nakayama (Jun 16, 2022 15:35 GMT+9)

Sundaram Sridharan
Manager

Masayuki Nakayama
Manager

Date: June 16, 2022