C3i Japan GK

FINANCIAL STATEMENTS

For the year ended 31st December 2022, 31st December 2021(Restated) and 1st January 2021(Restated)

C3i Japan GK

Balance Sheet as at 31 December 2022

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

	Note No.	As at 31 December 2022 (JPY)	As at 31 December 2021 (Restated- Refer note 3A) (JPY)	As at 01 January 2021 (Restated- Refer note 3B) (JPY)
I. ASSETS				
(1) Non-current assets				
(a) Property, plant and equipment	**2.01(A)**	16,640	22,910	28,413
(b) Right-of-use assets	**2.20**	12,360	31,091	12,481
(c) Other intangible assets	**2.01(B)**	13	144	275
(d) Financial assets				
(i) Other financial assets	**2.03**	41	18,336	18,500
(e) Deferred tax assets (net)	**2.19**	6,818	7,985	4,015
(f) Other non-current assets	**2.02**	830	-	-
Total non-current assets		**36,702**	**80,466**	**63,684**
(2) Current assets				
(a) Financial assets				
(i) Trade receivables	**2.04**			
Billed		29,798	34,586	10,041
Unbilled		37,973	11,664	248
(ii) Cash and cash equivalents	**2.05**	13,091	21,845	29,863
(iii) Other financial assets	**2.06**	18,650	-	-
(b) Other current assets	**2.07**	4,170	4,924	9,912
Total current assets		**103,682**	**73,019**	**50,064**
TOTAL ASSETS		**140,384**	**153,485**	**113,748**
II. EQUITY				
(a) Equity share capital	**2.08**	0	0	0
(b) Other equity		57,464	46,262	36,912
TOTAL EQUITY		**57,464**	**46,262**	**36,912**
II LIABILITIES				
(1) Non-current liabilities				
(a) Financial liabilities				
(i) Lease liabilities	**2.20**	-	12,396	-
Total non-current liabilities		**-**	**12,396**	**-**
(2) Current liabilities				
(a) Financial liabilities				
(i) Borrowings	**2.13**	49,000	49,000	32,172
(ii) Lease liabilities	**2.20**	10,841	16,881	10,842
(iii) Trade payables	**2.09**			
Billed - other than micro and small enterprises		4,239	999	660
Unbilled and accruals - other than micro and small enterprises		2,202	-	-
(iv) Other financial liabilities	**2.10**	8,106	13,844	13,690
(b) Provisions	**2.12**	3,677	4,652	2,552
(c) Current tax liabilities (net)		1,260	6,725	3,422
(d) Other current liabilities	**2.11**	3,595	2,726	13,498
Total current liabilities		82,920	94,827	76,836
TOTAL LIABILITIES		**82,920**	**107,223**	**76,836**
TOTAL EQUITY AND LIABILITIES		**140,384**	**153,485**	**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 (May 24, 2023 14:26 GMT+5.5)
Rakesh Dewan
Partner
Membership Number: 092212

Place: Gurugram, India
Date: 24 May 2023

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

Sundaram Sridharan
Director

Place: Singapore
Date: 24 May 2023

M. Nakayama
M. Nakayama (May 24, 2023 15:42 GMT+9)
Masayuki Nakayama
Director

Place: Japan
Date: 24 May 2023

C3i Japan GK
Statement of Profit and Loss for the year ended 31 December 2022
(All amount in thousands, except share data and as stated otherwise)

		Note No.	Year ended 31 December 2022 (JPY)	Year ended 31 December 2021 (Restated- Refer note 3C) (JPY)
I	**Revenue**			
	Revenue from operations	**2.14**	206,296	208,035
	Other income	**2.15**	886	257
	Total income		**207,182**	**208,292**
II	**Expenses**			
	Employee benefits expense	**2.16**	144,157	134,401
	Finance costs	**2.17**	1,132	1,054
	Depreciation and amortization expenses	**2.01 & 2.20**	25,186	25,104
	Other expenses	**2.18**	20,571	32,323
	Total expenses		**191,046**	**192,882**
III	**Profit before tax**		**16,136**	**15,410**
IV	**Tax expense**	**2.19**		
	Current tax		3,767	10,030
	Deferred tax charge/(credit)		1,167	(3,970)
	Total tax expense		4,934	6,060
V	**Profit for the year**		**11,202**	**9,350**
VI	**Other comprehensive income**			
	Items that will not be reclassified to profit or loss		-	
	Items that will be reclassified to profit or loss		-	
			-	
VII	**Total comprehensive income for the year**		**11,202**	**9,350**
	Earnings per share			
	Basic and Diluted	**2.25**	**11,202**	**9,350**
	Summary of significant accounting policies	**1**		

The accompanying notes are an integral part of the financial statements

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

Rakesh Dewan
Rakesh Dewan (May 24, 2023 14:26 GMT+5.5)

Rakesh Dewan
Partner
Membership Number: 092212

Place: Gurugram, India
Date: 24 May 2023

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

Sundaram Sridharan
Director

Place: Singapore
Date: 24 May 2023

M. Nakayama
M. Nakayama (May 24, 2023 15:42 GMT+9)

Masayuki Nakayama
Director

Place: Japan
Date: 24 May 2023

C3i Japan GK
Statement of Changes in Equity for the year ended 31 December 2022
(All amount in thousands, except share data and as stated otherwise)

A. Equity share capital

	(JPY)
Balance as at 1 January 2022	0
Change in equity share capital during the year	-
Balance as at 31 December 2022	0
Balance as at 1 January 2021	0
Change in equity share capital during the year	-
Balance as at 31 December 2021	0

Note: Amounts less than JPY 0.50 thousands - Refer note 2.29

B. Other equity

	(JPY)
Balance at 1 January, 2022	46,262
Total comprehensive income for the year ended 31 December 2022	
Profit for the year	11,202
Other comprehensive income	-
Total comprehensive income for the year	11,202
Balance as at 31st December, 2022	57,464
Balance as of January 1, 2021	36,912
Total comprehensive income for the year ended 31 December 2021	
Profit for the year (restated - refer note 3C)	9,350
Other comprehensive income	-
Total comprehensive income for the year (Restated)	9,350
Restated Balance as at 31 December 2021	46,262

Summary of significant accounting policies (Note 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

Rakesh Dewan
Rakesh Dewan (May 24, 2023 14:26 GMT+5.5)
Rakesh Dewan
Partner
Membership Number: 092212

Place: Gurugram, India
Date: 24 May 2023

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

Sundaram Sridharan
Director

Place: Sinagpore
Date: 24 May 2023

M. Nakayama
M. Nakayama (May 24, 2023 15:42 GMT+9)
Masayuki Nakayama
Director

Place: Japan
Date: 24 May 2023

C3i Japan GK
Statement of Cash flows for the year ended 31 December 2022
(All amount in thousands, except share data and as stated otherwise)

		Year ended 31 December 2022 (JPY)	Year ended 31 December 2021 (Restated- Refer note 3D) (JPY)
A. Cash flows from operating activities			
Profit before tax		16,136	15,410
Adjustment for:			
Depreciation and amortization expenses		25,186	25,104
Finance costs		723	758
Interest income		(355)	(212)
Unrealised exchange loss		2,104	14,807
Provision for recovery from separated employees		(531)	606
		43,263	**56,473**
Net change in			
Trade receivables		(23,626)	(33,516)
Other financial assets and other assets		454	(12,871)
Trade payables		5,442	339
Provisions, other financial liabilities and other liabilities		(6,151)	(8,634)
Cash generated from operations		**19,381**	**1,791**
Income taxes paid (net of refunds)		(9,233)	(6,726)
Net cash flow from/(used in) operating activities	**(A)**	**10,148**	**(4,935)**
B. Cash flows from investing activities			
Acquisition of property,plant and equipment		(53)	(770)
Net cash used in investing activities	**(B)**	**(53)**	**(770)**
C. Cash flows from financing activities			
Payment of lease liability including interest		(18,650)	(18,650)
Proceeds from short term borrowings		-	45,000
Repayment of short term borrowings		-	(28,000)
Payment of interest on short term borrowings		(198)	(664)
Net cash used in financing activities	**(C)**	**(18,848)**	**(2,314)**
Net decrease in cash and cash equivalents (A+B+C)		(8,754)	(8,018)
Cash and cash equivalents at the beginning of the year		21,845	29,863
Cash and cash equivalents at the end of the year as per note 2.05		**13,091**	**21,845**

Notes:

1. Reconciliation of liabilities arising from financing activities

	Borrowings	Interest on borrowings
Balance as at 1 Janaury 2021	**32,000**	**172**
Cashflow		
Proceeds from short term borrowings	45,000	-
Repayment of short term borrowings	(28,000)	-
Repayment of interest	-	(664)
Non cash changes		
Interest accrued during the year	-	608
Balance as at 31 December 2021	**49,000**	**116**
Balance as at 1 January 2022	**49,000**	**116**
Cashflow		
Proceeds from short term borrowings	-	-
Repayment of short term borrowings	-	-
Repayment of interest	-	(198)
Non cash changes		
Interest accrued during the year	-	508
Balance as at 31 December 2022	**49,000**	**426**

2. The company has elected to present cash flows from operating activities using the indirect method

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

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Rakesh Dewan
Partner
Membership Number: 092212

Place: Gurugram, India
Date: 24 May 2023

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

M. Nakayama
M. Nakayama (May 24, 2023 15:42 GMT+9)

Sundaram Sridharan
Director

Place: Singapore
Date: 24 May 2023

Masayuki Nakayama
Director

Place: Japan
Date: 24 May 2023

ORGANIZATION AND NATURE OF OPERATIONS

C3i Japan GK is a Limited Liability Company (hereinafter referred to as the 'Company') 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 2022 were approved and authorized for issue by the Board of Directors on 24 May 2023.

1. SUMMARY OF 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. These financial statements have been prepared by the Company solely for the purpose of placing the audited financial statements of the Company along with the consolidated financial statements of HCL Technologies Limited ("the ultimate holding company") on the website of the ultimate holding company as required under Section 136 of the 2013 Act.

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. These accounts are not statutory financial statements of the Company.

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.

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.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant estimates and assumptions are used for, but not limited to, -

i. Accounting for costs expected to be incurred to complete performance under fixed price projects and determination of stand – alone selling prices for each distinct performance obligation in contracts involving multiple performance obligation, refer note 1(g).
ii. Allowance for uncollectible accounts receivables, refer note 1(j)(i)
iii. Recognition of income and deferred taxes, refer note 1(i) and note 2.18
iv. Useful lives of property, plant and equipment, refer note 1(d)
v. Lives of intangible assets, refer note 1(e)
vi. Identification of leases and measurement of lease liabilities and right of use assets, refer note 1(c)

c) Leases

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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)*
Laptop	4
Office Equipment	5
Computer	5
Furniture and 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. 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.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

Revenue related to fixed price contracts where performance obligations and control are satisfied over a period of time like technology integration, complex network building contracts, ERP implementations and Application development are recognized based on progress towards completion of the performance obligation using a cost to cost measure of progress (i.e., percentage-of-completion (POC) method of accounting). Revenue is recognized based on the costs incurred to date as a percentage of the total estimated costs to fulfill the contract. Any revision in cost to complete would result in increase or decrease in revenue and such changes are recorded in the period 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 contract estimates. Contract losses are determined to be the amount by which the estimated incremental cost to complete exceeds the estimated future revenues that will be generated by the contract and are included in cost of revenues and recorded in other accrued liabilities

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.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 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.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

(i) Recently issued accounting pronouncements

On 23 March 2022, the Ministry of Corporate Affairs (MCA), notified Companies (Indian Accounting Standards) Amendment Rules, 2022 effective from annual reporting periods beginning on or after 1 April 2022. Following is the key amended provision which may have an impact on the financial statements of the Company:

Onerous Contracts – Cost of Fulfilling a Contract (Amendment to Ind AS 37)

The amendments clarifies that the 'costs of fulfilling a contract' comprise both the incremental costs and allocation of other direct costs. The Company does not expect the adoption of this update to have a material impact on its financial statements.

Further, on 31 March 2023, the Ministry of Corporate Affairs (MCA), notified Companies (Indian Accounting Standards) Amendment Rules, 2023 effective for annual reporting periods beginning on or after 1 April 2023, which brought certain amendments to the existing Indian Accounting standards. The Company is currently evaluating the impact of the adoption of these amendments on its financial statements.

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Notes to financial statements for the year ended 31 December 2022
(All amount in thousands, except share data and as stated otherwise)

2.01(A) Property, plant and equipment
The changes in the carrying value for the year ended 31 December 2022

	Gross block				Accumulated depreciation				Net block	
	As at 1 January 2022	Additions	Deletions/ Adjustments	As at 31 December 2022	As at 1 January 2022	Charge for the year	Deletions/ Adjustments	As at 31 December 2022	As at 31 December 2022	As at 31 December 2021
	(JPY)	**(JPY)**	**(JPY)**	**(JPY)**	**(JPY)**	**(JPY)**	**(JPY)**	**(JPY)**	**(JPY)**	**(JPY)**
Furniture and Fixture	5,766	-	-	5,766	1,432	824	-	2,256	3,511	4,333
Office Equipment	18,054	-	-	18,054	6,014	3,611	-	9,625	8,429	12,040
Computers	10,210	53	-	10,263	5,024	1,729	-	6,753	3,510	5,186
Plant & Machinery	1,612	-	-	1,612	260	161	-	421	1,191	1,351
	35,642	**53**	**-**	**35,695**	**12,730**	**6,325**	**-**	**19,055**	**16,640**	**22,910**

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)**
Furniture and Fixture	5,766	-	-	5,766	609	823	-	1,432	4,333	5,156
Office Equipment	17,682	372	-	18,054	2,433	3,581	-	6,014	12,040	15,249
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**	**6,273**	**-**	**12,730**	**22,910**	**28,413**

2.01(B) Other intangible assets
The changes in the carrying value for the year ended 31 December 2022

	Gross block				Accumulated amortization				Net block	
	As at 1 January 2022	Additions	Deletions/ Adjustments	As at 31 December 2022	As at 1 January 2022	Charge for the year	Deletions/ Adjustments	As at 31 December 2022	As at 31 December 2022	As at 31 December 2021
	(JPY)	**(JPY)**	**(JPY)**	**(JPY)**	**(JPY)**	**(JPY)**	**(JPY)**	**(JPY)**	**(JPY)**	**(JPY)**
Software	393	-	-	393	249	131	-	380	13	144
Total	**393**	**-**	**-**	**393**	**249**	**131**	**-**	**380**	**13**	**144**
Estimated remaining useful life (in years)									**-**	**1**

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

2.02 Other non-current assets

	As at		
	31 December 2022	31 December 2021	01 January 2021
	(JPY)	(JPY)	(JPY)
Non-current			
Prepaid expenses	830	-	-
	830	**-**	**-**

2.03 Financial assets - others

	As at		
	31 December 2022	31 December 2021	01 January 2021
		(Restated- Refer note 3A)	(Restated- Refer note 3B)
	(JPY)	(JPY)	(JPY)
Non-current			
Security deposits	41	18,336	18,500
	41	**18,336**	**18,500**

2.04 Financial assets - Trade Receivable

	As at		
	31 December 2022	31 December 2021	01 January 2021
		(Restated- Refer note 3A)	
	(JPY)	(JPY)	(JPY)
Current			
Billed			
Unsecured, considered good (refer note below)	29,798	34,586	10,041
Unbilled receivables (refer note below)	37,973	11,664	248
	67,771	**46,250**	**10,289**

Note
Billed: Includes receivables from related parties amounting to JPY 29,790 (31 December 2021 JPY 34,333) (refer note - 2.23 (d))
Unbilled: Includes receivables from related parties amounting to JPY 37,094 (31 December 2021 JPY 11,378) (refer note -2.23 (d))

Trade receivables - current	Not Due	Outstanding as at 31st December 2022 from the due date of payment					
		Less than 6 months	6 months – 1 year	1-2 years	2-3 years	More than 3 years	Total
Undisputed – considered good	-	29,798	-		-	-	29,798
Unbilled receivables	-	-	-	-	-	-	37,973
	-	**29,798**	**-**	**-**	**-**	**-**	**67,771**

Trade receivables - current	Not Due	Outstanding as at 31st December 2021 from the due date of payment					
		Less than 6 months	6 months – 1 year	1-2 years	2-3 years	More than 3 years	Total
Undisputed – considered good	783	33,720	-	-	83	-	34,586
Unbilled receivables	-	-	-	-	-	-	11,664
	783	**33,720**	**-**	**-**	**83**	**-**	**46,250**

2.05 Financial assets - Cash and cash equivalents

	As at		
	31 December 2022	31 December 2021	01 January 2021
	(JPY)	(JPY)	(JPY)
Balance with banks			
in current accounts	13,091	21,845	29,863
	13,091	**21,845**	**29,863**

2.06 Financial Assets - Others

	As at		
	31 December 2022	31 December 2021	01 January 2021
		(Restated- Refer note 3A)	(Restated- Refer note 3B)
	(JPY)	(JPY)	(JPY)
Current			
Security deposits	18,650	-	-
	18,650	**-**	**-**

2.07 Other current assets

	As at		
	31 December 2022	31 December 2021	01 January 2021
	(JPY)	(JPY)	(₹)
Unsecured			
Advances to supplier	-	-	19
Advances to employees	98	629	170
Less: Provision for doubtful advances	(75)	(606)	(67)
	23	**23**	**122**
Others			
Prepaid expenses	827	1,868	1,532
Consumption tax receivable	3,320	3,033	8,258
	4,170	**4,924**	**9,912**

2.08 Share Capital

	As at		
	31 December 2022	31 December 2021	01 January 2021
	Amount (JPY)	Amount (JPY)	Amount (JPY)
Issued, susbscribed and fully paid up			
1 equity share of JPY 1 each*	0	0	0

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: Amounts less than JPY 0.50 thousands - Refer note 2.29

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Notes to financial statements for the year ended 31 December 2022
(All amount in thousands, except share data and as stated otherwise)

Reconciliation of the numbers of shares outstanding at the beginning and at the end of the Finacial year

	As at					
	31 December 2022		31 December 2021		01 January 2021	
	No. of shares	Amount (JPY)	No. of shares	Amount (JPY)	No. of shares	Amount (JPY)
Number of shares at the beginning*	1	0	1	0	1	0
Number of shares at the end*	1	0	1	0	1	0

*Note: Amounts less than JPY 0.50 thousands - Refer note 2.29

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

	As at					
	31 December 2022		31 December 2021		01 January 2021	
	No. of shares	Shareholding %	No. of shares	Shareholding %	No. of shares	Shareholding %
Telerx Marketing Inc.	1	100	1	100	1	100

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

Details of Promoters holding in the company is as follows

	As at				% Change during the year
	31 December 2022		31 December 2021		
	No. of shares	Shareholding %	No. of shares	Shareholding %	
Telerx Marketing Inc.	1	100	1	100	0

	As at				% Change during the year
	31 December 2021		01 January 2021		
	No. of shares	Shareholding %	No. of shares	Shareholding %	
Telerx Marketing Inc.	1	100	1	100	0

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.

2.09 Financial Liabilities - Trade payables

	As at		
	31 December 2022	31 December 2021 (Restated- Refer note 3A)	01 January 2021 (Restated- Refer note 3B)
	(JPY)	(JPY)	(JPY)
Trade payables - Others	365	999	660
Unbilled and accruals	2,202	-	-
Trade payable - related parties (Refer note 2.23 (d))	3,874	-	-
	6,441	**999**	**660**

Particulars	Not Due	Outstanding as at 31st December 2022 from the due date of payment				
		Less than 1 year	1-2 years	2-3 years	More than 3 years	Total
Trade payables	237	128	-	3,874	-	4,239
Unbilled and accruals	-	-	-	-	-	2,202
	237	**128**	**-**	**3,874**	**-**	**6,441**

Particulars	Not Due	Outstanding as at 31st December 2021 from the due date of payment				
		Less than 1 year	1-2 years	2-3 years	More than 3 years	Total
Trade payables	999	-	-	-	-	999
	999	**-**	**-**	**-**	**-**	**999**

2.10 Financial Liabilities - Others

	As at		
	31 December 2022	31 December 2021 (Restated- Refer note 3A)	01 January 2021 (Restated- Refer note 3B)
	(JPY)	(JPY)	(JPY)
Current			
Carried at amortized cost			
Interest payable on borrowings	426	116	-
Employee bonuses accrued	5,935	4,126	1,874
Liability for expense	-	3,761	3,809
Other employee payable	1,028	719	4,133
Other payables - related parties (refer note 2.23(d))	717	5,122	3,874
	8,106	**13,844**	**13,690**

2.11 Other Current Liabilities

	As at		
	31 December 2022	31 December 2021 (Restated- Refer note 3A)	01 January 2021 (Restated- Refer note 3B)
	(JPY)	(JPY)	(JPY)
Others			
Withholding and other taxes payable	3,595	2,726	1,854
Advances received from customers - related parties	-	-	11,644
	3,595	**2,726**	**13,498**

2.12 Provisions

	As at		
	31 December 2022	31 December 2021 (Restated- Refer note 3A)	01 January 2021 (Restated- Refer note 3B)
	(JPY)	(JPY)	(JPY)
Provisions for leave benefits	3,677	4,652	2,552
	3,677	**4,652**	**2,552**

2.13 Borrowings

	As at		
	31 December 2022	31 December 2021	01 January 2021
	(JPY)	(JPY)	(JPY)
Current Borrowings			
From related parties - refer note below	49,000	49,000	32,172
	49,000	**49,000**	**32,172**

Note: The company has taken an unsecured loan from HCL Japan Limited (Fellow subsidiary) for its working capital requirement which is repayable on demand. The loan carry mutually agreed interest rate of TONAR plus 50bps p.a (Refer note 2.23(d))

2.14 Revenue from operations

	Year ended 31 December 2022	Year ended 31 December 2021 (Restated- Refer note 3C)
	(JPY)	(JPY)
Sale of services	206,296	208,035
	206,296	**208,035**

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

Disaggregate Revenue Information

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

	Year ended 31 December 2022 (JPY)	Year ended 31 December 2021 (Restated- Refer note 3C) (JPY)
Contract wise		
Time and material	204,811	206,296
Fixed price	1,485	-
	206,296	**206,296**
Geography wise		
America	205,703	205,388
Japan	593	908
	206,296	**206,296**

Remaining performance obligations

Remaining performance obligations are subject to variability due to several factors such as terminations, changes in scope of contracts, periodic revalidations of the estimates, economic factors (change in currency rates, tax laws, etc.). As at 31 December 2022, the aggregate amount of transaction price allocated to remaining performance obligations as per the requirements of Ind AS 115 was JPY 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 represent 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 2022.

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 2022 and 31 December 2021.

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

	Year ended 31 December 2022 (JPY)	Year ended 31 December 2021 (JPY)
Contract price	206,296	208,035
Revenue recognised	**206,296**	**208,035**

2.15 Other income

	Year ended 31 December 2022 (JPY)	Year ended 31 December 2021 (JPY)
Interest income on financial instruments carried at amortized cost	355	212
Miscellaneous income	-	45
Provision for recovery from separated employees	531	-
	886	**257**

2.16 Employee benefits expense

	Year ended 31 December 2022 (JPY)	Year ended 31 December 2021 (JPY)
Salaries, wages and bonus	124,647	118,734
Contribution to legal welfare and other funds	19,509	15,667
	144,157	**134,401**

2.17 Finance cost

	Year ended 31 December 2022 (JPY)	Year ended 31 December 2021 (JPY)
Interest		
-on lease liability	214	150
-on loans from related party (refer note-2.23 (c))	508	608
Bank charges	410	296
	1,132	**1,054**

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

2.18 Other expenses

	Year ended 31 December 2022 (JPY)	Year ended 31 December 2021 (Restated- Refer note 3C) (JPY)
Power and fuel	994	938
Repairs and maintenance -Others	2,313	1,016
Communication costs	647	325
Travel and conveyance	1,340	1,147
Legal and professional charges	6,358	5,634
Recruitment, training and development	-	949
Rates & taxes	344	427
Exchange differences (net)	2,099	12,778
Outsourcing cost	1,590	3,353
Miscellaneous expenses	4,886	5,756
	20,571	**32,323**

2.19 Income taxes

	Year ended 31 December 2022 (JPY)	Year ended 31 December 2021 (JPY)
Current income tax charge	3,767	10,030
Deferred tax charge (credit)	1,167	(3,970)
Total	**4,934**	**6,060**

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

	Year ended 31 December 2022 (JPY)	Year ended 31 December 2021 (JPY)
Profit before income tax	16,136	15,410
Statutory tax rate	36.17%	36.73%
Expected tax expense	**5,836**	**5,661**
Permanent differences	(128)	-
Impact of rate change	61	24
Deduction for enterprise tax paid	(772)	(477)
Impact of prior period provisions	(63)	852
Total taxes	**4,934**	**6,060**
Effective income tax rate	30.58%	39.33%

Components of deferred tax assets and liabilities as on 31 December 2022 **Amount in (JPY)**

Particulars	Opening balance	Recognized in profit and loss	Closing balance
Deferred tax assets			
Travel provision	1,184	(1,125)	59
Provision for expenses	2,670	(1,451)	1,219
Accrued employee costs	1,482	571	2,053
Depreciation and amortization	1,568	1,018	2,586
Leave encashment	1,709	(379)	1,330
Others	39	79	118
Gross deferred tax assets (A)	**8,652**	**(1,288)**	**7,364**
Deferred tax liabilities			
Lease - IND AS 116	667	(118)	549
Others		(3)	(3)
Gross deferred tax liabilities (B)	**667**	**(121)**	**546**
Net deferred tax assets (A-B)	**7,985**	**(1,167)**	**6,818**

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

2.19 Income taxes (continued)

Components of deferred tax assets and liabilities as on 31 December 2021

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
Gross deferred tax assets (A)	**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**

2.20 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:

	Building	Total
	(JPY)	(JPY)
Balance as at 1 January 2021	12,481	12,481
Additions	37,310	37,310
Depreciation	(18,700)	(18,700)
Balance as at 31 December 2021	**31,091**	**31,091**
Balance as at 1 January 2022	31,091	31,091
Depreciation	(18,731)	(18,731)
Balance as at 31 December 2022	**12,360**	**12,360**

The reconciliation of lease liabilities is as follows:

	Year ended	Year ended	Year ended
	31 December 2022	31 December 2021	01 January 2021
	(JPY)	(JPY)	(JPY)
Balance as at beginning of the year	29,277	10,842	-
Additions	-	36,935	29,280
Amounts recognized in statement of profit and loss as interest expense	214	150	212
Payment of lease liabilities	(18,650)	(18,650)	(18,650)
Balance as at end of the year	**10,841**	**29,277**	**10,842**

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

The following table presents a maturity analysis of expected undiscounted cash flows for lease liabilities

	Year ended	Year ended	Year ended
	31 December 2022	31 December 2021	01 January 2021
		(JPY)	(JPY)
Within one year	10878	17,096	10,879
One to two years	0	12,433	-
Total lease payments	**10878**	**29,529**	**10,879**
Imputed interest	(37)	(252)	(37)
Total lease liabilities	**10,841**	**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 year ended 31 December 2022, the aggregate lease rental expense recognized in the statement of profit and loss as per Ind AS 116 amounted to JPY Nil (Previous Year - 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)

2.21 Segment reporting

Operating segments are defined as components of an enterprise for which discrete financial information is available and 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 HCL Software 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 2.14.

2.22 Financial Assets and Liabilities

The carrying value of financial instruments by categories as at 31 December 2022 is as follows:

Particulars	Amortized	Total
	(JPY)	(JPY)
Financial assets		
Trade receivables	67,771	67,771
Cash and cash equivalents	13,091	13,091
Others	18,691	18,691
Total	**99,553**	**99,553**
Financial liabilities		
Borrowings	49,000	49,000
Trade payables	6,441	6,441
Lease liabilities	10,841	10,841
Others	8,106	8,106
Total	**74,388**	**74,388**

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.

The carrying value of financial instruments by categories as at 31 December 2021(After restatement - Refer note 3A) is as follows:

Particulars	Amortized	Total
	(JPY)	(JPY)
Financial assets		
Trade receivables	46,250	46,250
Cash and cash equivalents	21,845	21,845
Others	18,336	18,336
Total	**86,431**	**86,431**
Financial liabilities		
Borrowings	49,000	49,000
Trade payables	999	999
Lease liabilities	29,277	29,277
Others	13,844	13,844
Total	**93,120**	**93,120**

The carrying value of financial instruments by categories as at 1 January 2021 (After restatement - Refer note 3B) is as follows:

Particulars	Amortized cost	Total carrying value
	(JPY)	(JPY)
Financial assets		
Trade receivables	10,289	10,289
Cash and cash equivalents	29,863	29,863
Others	18,500	18,500
Total	**58,652**	**58,652**
Financial liabilities		
Borrowings	32,172	32,172
Trade payables	660	660
Lease liabilities	10,842	10,842
Others	13,690	13,690
	57,364	**57,364**

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 483 for the year ended 31 December 2022.

(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 2022					
Borrowings	49,000	-	-	-	49,000
Trade payables	6,441	-	-	-	6,441
Lease liabilities	10,841	-	-	-	10,841
Other financial liabilities	8,106	-	-	-	8,106
Total	**74,388**	**-**	**-**	**-**	**74,388**
As at 31 December 2021 (After restatement)					
Borrowings	49,000	-	-	-	49,000
Trade payables	999	-	-	-	999
Lease liabilities	16,881	12,396	-	-	29,277
Other financial liabilities	13,844	-	-	-	13,844
Total	**80,724**	**12,396**	**-**	**-**	**93,120**
As at 01 January 2021 (After restatement)					
Borrowings	32,172	-	-	-	32,172
Trade payables	660	-	-	-	660
Lease liabilities	10,842	-	-	-	10,842
Other financial liabilities	13690	-	-	-	13,690
	57,364	**-**	**-**	**-**	**57,364**

2.23 Related party transactions

a) Related parties where control exists

HCL Technologies Limited, India (Ultimate holding company)
Telerx Marketing Inc (Holding company)

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

HCL Japan Limited (Fellow subsidiary)
Telerx Marketing Inc (Holding company)

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

	Revenue	Interest Expense	Loan taken	Loan Remittance
For the year ended 31 December 2022(JPY)				
Holding company	204,811	-	-	-
Fellow subsidiary company	-	508	-	-
Total	**204,811**	**508**	**-**	**-**
For the year ended 31 December 2021(JPY) (After restatement)				
Holding company	205,388	-	-	-
Fellow subsidiary company	-	608	45,000	28,000
Total	**205,388**	**608**	**45,000**	**28,000**

d) Outstanding balances

	Trade Receivables - Unbilled	Trade Receivables - Billed	Interest payable on borrowings	Trade payables	Other payables	Borrowings
For the year ended 31 December 2022(JPY)						
Holding company	37,094	29,790	-	-	-	-
Fellow subsidiary company		-	426	3,874	717	49,000
Total	**37,094**	**29,790**	**426**	**3,874**	**717**	**49,000**
For the year ended 31 December 2021(JPY) (After restatement)						
Holding company	11,378	34,250	-	-	-	-
Fellow subsidiary company	-	83	116	-	5,122	49,000
Total	**11,378**	**34,333**	**116**	**-**	**5,122**	**49,000**
For the year ended 01 January 2021(JPY) (After restatement)						
Holding company	-	133	-	-	11,644	-
Fellow subsidiary company	-	8,788	172	-	3,874	32,000
	-	**8,921**	**172**	**-**	**15,518**	**32,000**

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

2.24 Ratio

	Numerator	Denominator	Units	Year ended		% Variance
				31 December 2022	31 December 2021	
Current ratio	Current assets	Current liabilities	Times	1.25	0.77	**62%**
Debt equity ratio	Total debts	Total equity	Times	1.05	1.69	**(38)%**
Debt service coverage ratio	Earning availables for debt service (refer note 1 below)	Debt service (refer note 2 below)	Times	2.03	2.61	**(22)%**
Return on equity ratio	Profit for the year	Average total equity	%	22	22	**0 %**
Trade receivables turnover ratio	Revenue from operations	Average trade receivables	Times	3.62	7.36	**(51)%**
Trade payables turnover ratio	Net credit purchases (refer note 4 below)	Average trade payables	Times	5.53	38.96	**(86)%**
Net capital turnover ratio	Revenue from operations	Working capital (refer note below 5)	Times	9.94	(9.54)	**(204)%**
Net profit ratio	Profit for the year	Revenue from operations	%	5	4	**25**
Return on capital employed	Earning before interest and taxes	Capital employed (refer note 6 below)	%	14	13	**8 %**

Notes :

(1) Earning availables for debt services = Profit for the year + depreciation, amortisation and impairment + interest + provision for doubtful debts + non cash charges
(2) Debt service = Interest + payment for lease liabilities + principal repayments
(3) Cost of goods sold includes purchase of stock in trade and change in inventories of stock in trade
(4) Net credit purchase includes purchase of stock-in-trade , change in inventories of stock-in-trade, outsourcing costs and other expenses
(5) Working capital = current assets - current liabilities
(6) Capital employed = Tangible net worth including intangible assets + total debt
(7) Average is calculated based on simple average of opening and closing balances.

Explanation where change in the ratio is more than 25%

(1) Current ratio has been increased as compared to last year majorly on account of increase in trade receivables and corresponding reduction in current liabilities.
(2) Debt equity ratio has been reduced majorly on account of payment of lease liabilities.
(3) Trade receivables turnover ratio has been reduced mainly on account of increase in trade receivables.
(4) Trade payables turnover ratio has been reduced mainly on account of increase in trade payables
(5) Net capital turnover ratio has been increased since there was negative working capital in last year as compared to current year.

2.25 Earnings Per Share (EPS)

The computation of earnings per share as follows:

	Year ended 31 December 2022 (JPY)	Year ended 31 December 2021 (Restated- Refer note 3C) (JPY)
Net Profit as per statement of profit and loss for computation of	11,202	9,350
Weighted average number of equity shares outstanding in calculating basic EPS	1	1
Weighted average number of equity shares outstanding in calculating dilutive EPS	1	1
Nominal value of equity shares	1	1
Earning per equity share		
- Basic	11,202	9,350
- Diluted	11,202	9,350

2.26 Commitment

	As at 31 December 2022	As at 31 December 2021
Capital commitment		
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	4	0

2.27 Change in Classification

Effective from 1 April 2021, the Company has modified the classification of certain assets. Comparative amounts in the notes to the financial statement were reclassified for consistency.

	As restated (Refer note 3)	Revised classfication	Difference
As at 31 December 2021			
Assets			
Financial Assets			
Trade Receivables			
Unbilled receivables	-	11,664	(11,664)
Unbilled receivables	11,664	-	11,664
As at 1 January 2021			
Assets			
Financial Assets			
Trade Receivables			
Unbilled receivables	-	248	(248)
Unbilled receivables	248	-	248

2.28 Subsequent events

The Company has evaluated all the subsequent events through 24 May 2023 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.

2.29 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.

3. Prior period errors

In the current year, the management has identified certain material prior period errors pertaining to presentation of certain items in the financial statements as at 31 December 2021 and 1 January 2021 and incorrect recognition of other expenses for the year ended 31 December 2021 with consequential impact on revenue from operations for the year ended 31 December 2021 and trade payables, other current liabilities and trade receivables as at 31 December 2021. The corresponding figures as at and for the year ended 31 December 2021 and as at 1 January 2021 have been restated for correction of such errors in accordance with requirements of "Ind AS 8: Accounting Policies, Changes in Accounting Estimates and Errors" as set out below:

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

3A. Prior period errors (Continued)
Balance Sheet as at 31 December 2021

Particulars	As at 31 December 2021 (As previously reported)	Adjustments	As at 31 December 2021 (As restated)
ASSETS			
Non-current assets			
Financial assets			
Other financial assets	-	18,336	18,336
Other non current assets	18,336	(18,336)	-
Current assets			
Financial assets			
Unbilled receivables	17,501	(5,837)	11,664
EQUITY			
Other equity	46,694	(432)	46,262
LIABILITIES			
Current liabilities			
Financial Liabilities			
Other financial liabilities	12,599	1,245	13,844
Provisions	-	4,652	4,652
Other current Liabilities	14,028	(11,302)	2,726

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Notes to financial statements for the year ended 31 December 2022
(All amount in thousands, except share data and as stated otherwise)

3B. Prior period errors (Continued)
Balance Sheet as at 1 January 2021

Particulars	As at 31 December 2020 (As previously reported)	Adjustments	As at 1 January 2021 (As restated)
ASSETS			
Non-current assets			
Financial assets			
Other financial assets	-	18,500	18,500
Other non current assets	18,500	(18,500)	-
LIABILITIES			
Current liabilities			
Financial Liabilities			
Others financial liabilities	7,683	6,007	13,690
Provisions	-	2,552	2,552
Other current liabilities	22,057	(8,559)	13,498

C3i Japan GK
Notes to financial statements for the year ended 31 December 2022
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3C. Prior period errors (continued)
Statement of Profit and Loss for the year ended 31 December 2021 (including impact on earnings per share)

	Particulars	For the year ended 31 December 2021 (As previously reported)	Adjustments	For the year ended 31 December 2021 (As restated)
I	**Revenue**			
	Revenue from Operations	213,872	(5,837)	208,035
II	**Expenses**			
	Other expenses	37,728	(5,405)	32,323
III	**Profit before tax**	15,842	(432)	15,410
IV	**Profit for the year**	**9,782**	**(432)**	**9,350**
	Earnings per share			
	Basic and Diluted	**9,782**	**(432)**	**9,350**

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Notes to financial statements for the year ended 31 December 2022
(All amount in thousands, except share data and as stated otherwise)

3D. Prior period errors (continued)
Statement of Cash Flows for the year ended 31 December 2021

Particulars	For the year ended 31 December 2021 (As previously reported)	Adjustments	For the year ended 31 December 2021 (As restated)
A. Cash flow from Operating activities			
Profit before Tax	15842	(432)	15,410
Net Change in			
Trade receivables	(39,353)	5,837	(33,516)
Provisions, other financial liabilities and other liabilities	(3,228)	(5,407)	(8,634)

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 (May 24, 2023 14:26 GMT+5.5)

Rakesh Dewan
Partner
Membership Number: 092212

Place: Gurugram, India
Date: 24 May 2023

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

M. Nakayama
M. Nakayama (May 24, 2023 15:42 GMT+9)

Sundaram Sridharan	**Masayuki Nakayama**
Director	Director
Place: Sinagpore	Place: Japan
Date: 24 May 2023	Date: 24 May 2023