# C3i Japan GK

FINANCIAL STATEMENTS

For the year ended 31st December 2023 and 31st December 2022

**C3i Japan GK**
**Balance Sheet as at 31 December 2023**
(All amount in thousands, except share data and as stated otherwise)

| | Note No. | As at 31 December 2023 (JPY) | As at 31 December 2022 (JPY) |
|---|---|---|---|
| **I. ASSETS** | | | |
| **(1) Non-current assets** | | | |
| (a) Property, plant and equipment | **2.01(A)** | 10,617 | 16,640 |
| (b) Right-of-use assets | **2.20** | 9,824 | 12,360 |
| (c) Other intangible assets | **2.01(B)** | 0 | 13 |
| (d) Financial assets | | | |
| (i) Other financial assets | **2.03** | - | 41 |
| (e) Deferred tax assets (net) | **2.19** | 7,515 | 6,818 |
| (f) Other non-current assets | **2.02** | 268 | 830 |
| **Total non-current assets** | | **28,224** | **36,702** |
| **(2) Current assets** | | | |
| (a) Financial assets | | | |
| (i) Trade receivables | **2.04** | | |
| Billed | | 14,109 | 29,798 |
| Unbilled | | 6,156 | 37,973 |
| (ii) Cash and cash equivalents | **2.05** | 71,272 | 13,091 |
| (iii) Other financial assets | **2.06** | 14,844 | 18,650 |
| (b) Other current assets | **2.07** | 7,512 | 4,170 |
| **Total current assets** | | **113,893** | **103,682** |
| **TOTAL ASSETS** | | **142,117** | **140,384** |
| **II. EQUITY** | | | |
| (a) Equity share capital | **2.08** | 0 | 0 |
| (b) Other equity | | 67,746 | 57,464 |
| **TOTAL EQUITY** | | **67,746** | **57,464** |
| **II. LIABILITIES** | | | |
| **(1) Current liabilities** | | | |
| (a) Financial liabilities | | | |
| (i) Borrowings | **2.13** | 49,000 | 49,000 |
| (ii) Lease liabilities | **2.20** | 8,613 | 10,841 |
| (iii) Trade payables | **2.09** | | |
| Billed - other than micro and small enterprises | | 588 | 4,239 |
| Unbilled and accruals - other than micro and small enterprises | | 342 | 2,202 |
| (iv) Other financial liabilities | **2.10** | 3,422 | 8,106 |
| (b) Provisions | **2.12** | 2,094 | 3,677 |
| (c) Current tax liabilities (net) | | 4,020 | 1,260 |
| (d) Other current liabilities | **2.11** | 6,292 | 3,595 |
| **Total current liabilities** | | 74,371 | 82,920 |
| **TOTAL LIABILITIES** | | **74,371** | **82,920** |
| **TOTAL EQUITY AND LIABILITIES** | | **142,117** | **140,384** |
| **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 8, 2024 16:50 GMT+5.5)
**Rakesh Dewan**
**Partner**
Membership Number: 092212

Place: Gurugram, India
Date: 08 May 2024

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

Shiv Walia
Shiv Walia (May 8, 2024 10:40 GMT+1)
**Shiv Kumar Walia**
Director

Place: Singapore
Date: 08 May 2024

M. Nakayama
M. Nakayama (May 8, 2024 18:33 GMT+9)
**Masayuki Nakayama**
Director

Place: Japan
Date: 08 May 2024

**C3i Japan GK**
**Statement of Profit and Loss for the year ended 31 December 2023**
(All amount in thousands, except share data and as stated otherwise)

| | | Note No. | Year ended 31 December 2023 (JPY) | Year ended 31 December 2022 (JPY) |
|---|---|---|---|---|
| **I** | **Revenue** | | | |
| | Revenue from operations | **2.14** | 195,039 | 206,296 |
| | Other income | **2.15** | 3,748 | 886 |
| | **Total income** | | **198,787** | **207,182** |
| **II** | **Expenses** | | | |
| | Employee benefits expense | **2.16** | 142,212 | 144,157 |
| | Finance costs | **2.17** | 707 | 1,132 |
| | Depreciation and amortization expenses | **2.01 & 2.20** | 23,535 | 25,186 |
| | Other expenses | **2.18** | 16,825 | 20,571 |
| | **Total expenses** | | **183,279** | **191,046** |
| **III** | **Profit before tax** | | **15,508** | **16,136** |
| **IV** | **Tax expense** | **2.19** | | |
| | Current tax | | 5,923 | 3,767 |
| | Deferred tax charge/(credit) | | (697) | 1,167 |
| | Total tax expense | | 5,226 | 4,934 |
| **V** | **Profit for the year** | | **10,282** | **11,202** |
| **VI** | **Other comprehensive income** | | - | - |
| **VII** | **Total comprehensive income for the year** | | **10,282** | **11,202** |
| | **Earnings per share** | | | |
| | Basic and Diluted | **2.25** | **10,282** | **11,202** |
| | **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 8, 2024 16:50 GMT+5.5)

**Rakesh Dewan**
**Partner**
Membership Number: 092212

Place: Gurugram, India
Date:08 May 2024

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

Shiv Walia
Shiv Walia (May 8, 2024 10:40 GMT+1)

**Shiv Kumar Walia**
Director

Place: Singapore
Date: 08 May 2024

M. Nakayama
M. Nakayama (May 8, 2024 18:33 GMT+9)

**Masayuki Nakayama**
Director

Place: Japan
Date: 08 May 2024

**C3i Japan GK**
**Statement of Changes in Equity for the year ended 31 December 2023**
(All amount in thousands, except share data and as stated otherwise)

**A. Equity share capital**

| | (JPY) |
|---|---|
| **Balance as at 1 January 2023** | 0 |
| Change in equity share capital during the year | - |
| **Balance as at 31 December 2023** | 0 |
| **Balance as at 1 January 2022** | 0 |
| Change in equity share capital during the year | - |
| **Balance as at 31 December 2022** | 0 |

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

**B. Other equity**

| | (JPY) |
|---|---|
| **Balance at 1 January, 2023** | 57,464 |
| **Total comprehensive income for the year ended 31 December 2023** | |
| Profit for the year | 10,282 |
| Other comprehensive income | - |
| **Total comprehensive income for the year** | 10,282 |
| **Balance as at 31st December, 2023** | 67,746 |
| **Balance as of January 1, 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 31 December 2022** | 57,464 |

**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**
Chartered Accountants
**Firm Registration Number : 101248W/W-100022**

Rakesh Dewan
Rakesh Dewan (May 8, 2024 16:50 GMT+5.5)

**Rakesh Dewan**
**Partner**
Membership Number: 092212

Place: Gurugram, India
Date: 08 May 2024

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

Shiv Walia
Shiv Walia (May 8, 2024 10:40 GMT+1)

**Shiv Kumar Walia**
Director

Place: Sinagpore
Date: 08 May 2024

M. Nakayama
M. Nakayama (May 8, 2024 18:33 GMT+9)

**Masayuki Nakayama**
Director

Place: Japan
Date: 08 May 2024

**C3i Japan GK**
**Statement of Cash flows for the year ended 31 December 2023**
(All amount in thousands, except share data and as stated otherwise)

| | | Year ended 31 December 2023 (JPY) | Year ended 31 December 2022 (JPY) |
|---|---|---|---|
| **A. Cash flows from operating activities** | | | |
| Profit before tax | | 15,508 | 16,136 |
| **Adjustment for:** | | | |
| Depreciation and amortization expenses | | 23,535 | 25,186 |
| Finance costs | | 301 | 723 |
| Interest income on financial instruments | | (85) | (355) |
| Unrealised exchange (gain)/loss | | (392) | 2,104 |
| Provision for recovery from separated employees | | - | (531) |
| Provision for doubtful debts | | 8 | - |
| | | **38,875** | **43,263** |
| **Net change in** | | | |
| Trade receivables | | 47,890 | (23,626) |
| Other financial assets and other assets | | 1,027 | 454 |
| Trade payables | | (5,510) | 5,442 |
| Provisions, other financial liabilities and other liabilities | | (3,353) | (6,151) |
| **Cash generated from operations** | | **78,929** | **19,381** |
| Income taxes paid (net of refunds) | | (3,164) | (9,233) |
| **Net cash flow from/(used in) operating activities** | **(A)** | **75,765** | **10,148** |
| **B. Cash flows from investing activities** | | | |
| Purchase of property,plant and equipment | | (100) | (53) |
| **Net cash used in investing activities** | **(B)** | **(100)** | **(53)** |
| **C. Cash flows from financing activities** | | | |
| Payment of lease liability including interest | | (17,064) | (18,650) |
| Payment of interest on short term borrowings | | (420) | (198) |
| **Net cash used in financing activities** | **(C)** | **(17,484)** | **(18,848)** |
| Net decrease in cash and cash equivalents (A+B+C) | | 58,181 | (8,754) |
| Cash and cash equivalents at the beginning of the year | | 13,091 | 21,845 |
| **Cash and cash equivalents at the end of the year as per note 2.05** | | **71,272** | **13,091** |

**Notes:**

**1.** Reconciliation of liabilities arising from financing activities

| | Borrowings | Interest on borrowings |
|---|---|---|
| **Balance as at 1 Janaury 2022** | **49,000** | **116** |
| **Cashflow** | | |
| Repayment of interest | - | (198) |
| **Non cash changes** | | |
| Interest accrued during the year | - | 508 |
| **Balance as at 31 December 2022** | **49,000** | **426** |
| **Balance as at 1 January 2023** | **49,000** | **426** |
| **Cashflow** | | |
| Repayment of interest | - | (420) |
| **Non cash changes** | | |
| Interest accrued during the year | - | 202 |
| **Balance as at 31 December 2023** | **49,000** | **208** |

**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**

Rakesh Dewan
Rakesh Dewan (May 8, 2024 16:50 GMT+5.5)
**Rakesh Dewan**
**Partner**
Membership Number: 092212

Place: Gurugram, India
Date:08 May 2024

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

Shiv Walia
Shiv Walia (May 8, 2024 10:40 GMT+1)
**Shiv Kumar Walia**
Director

M. Nakayama
M. Nakayama (May 8, 2024 18:33 GMT+9)
**Masayuki Nakayama**
Director

Place: Singapore
Date:08 May 2024

Place: Japan
Date:08 May 2024

**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 2023 were approved and authorized for issue by the Board of Directors on 08 May 2024.

## 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.

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.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

| *Category of asset* | *Life (in years)* |
|---|---|
| Computer - Laptop | 4 |
| Office Equipment | 5 |
| Computer - Others | 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 |

**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.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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. 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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

processed etc. that correspond with value transferred to customer till date which is related to our right to invoice for services performed.

Revenue from Time-and-material 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.

**Fixed Price contracts**

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 related to other fixed price contracts providing maintenance and support services, are recognized based on our right to invoice for services performed for contracts in which the invoicing is representative of the value being delivered.

If our invoicing is not consistent with value delivered, revenues are recognized as the service is performed based on the cost-to-cost method described above.

In arrangements involving sharing of customer revenues, revenue is recognized when the right to receive is established.

**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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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 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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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, 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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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 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.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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.

**p) Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

**q) Recently issued accounting pronouncements**

**Adoption of new accounting principles**

Onerous contracts – cost of fulfilling a contract (amendment to Ind AS 37 - Provisions, Contingent Liabilities and Contingent Assets). The amendment clarified that the 'costs of fulfilling a contract' comprise both the incremental costs and allocation of other direct costs. The Company has adopted this amendment effective 1 January 2023 and the adoption did not have any material impact on its financial statements.

**Recently issued accounting pronouncements**

On 31 March 2023, the Ministry of Corporate Affairs (MCA), notified Companies (Indian Accounting Standards) Amendment Rules, 2023 effective from 1 April 2023. Following is key amended provision which is relevant for financial statements of the Company:

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Disclosure of accounting policies (amendments to Ind AS 1 - Presentation of Financial Statements)**

The amendments intend to assist in deciding which accounting policies to disclose in the financial statements. The amendments to Ind AS 1 require entities to disclose their material accounting policies rather than their significant accounting policies. The amendments provide guidance on how to apply the concept of materiality to accounting policy disclosures. The Company does not expect this amendment to have any significant impact in its financial statements.

**Definition of accounting estimate (amendments to Ind AS 8 - Accounting Policies, Changes in Accounting Estimates and Errors)**

The amendments distinguish between accounting policies and accounting estimates. The definition of a change in accounting estimates has been replaced with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The Company does not expect this amendment to have any significant impact in its financial statements.

**Deferred tax related to assets and liabilities arising from a single transaction (amendments to Ind AS 12 – Income taxes)**

The amendments specify how to account for deferred tax on transactions such as leases. The amendments clarify that lease transactions give rise to equal and offsetting temporary differences and financial statements should reflect the future tax impacts of these transactions through recognizing deferred tax. The Company is evaluating the impact, if any, in its financial statements.

**C3i Japan GK**
**Notes to financial statements for the year ended 31 December 2023**
(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 2023**

| | Gross block | | | | Accumulated depreciation | | | | Net block | |
|---|---|---|---|---|---|---|---|---|---|---|
| | As at 1 January 2023 | Additions | Deletions/ Adjustments | As at 31 December 2023 | As at 1 January 2023 | Charge for the year | Deletions/ Adjustments | As at 31 December 2023 | As at 31 December 2023 | As at 31 December 2022 |
| | **(JPY)** | **(JPY)** | **(JPY)** | **(JPY)** | **(JPY)** | **(JPY)** | **(JPY)** | **(JPY)** | **(JPY)** | **(JPY)** |
| Furniture and Fixture | 5,766 | - | - | 5,766 | 2,256 | 822 | - | 3,078 | 2,688 | 3,511 |
| Office Equipment | 18,054 | - | - | 18,054 | 9,625 | 3,603 | - | 13,228 | 4,826 | 8,429 |
| Computers | 10,263 | 100 | - | 10,363 | 6,753 | 1,537 | - | 8,290 | 2,073 | 3,510 |
| Plant & Machinery | 1,612 | - | - | 1,612 | 421 | 161 | - | 582 | 1,030 | 1,191 |
| | **35,695** | **100** | **-** | **35,795** | **19,055** | **6,123** | **-** | **25,178** | **10,617** | **16,640** |

**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** |

**2.01(B) Other intangible assets**

**The changes in the carrying value for the year ended 31 December 2023**

| | Gross block | | | | Accumulated amortization | | | | Net block | |
|---|---|---|---|---|---|---|---|---|---|---|
| | As at 1 January 2022 | Additions | Deletions/ Adjustments | As at 31 December 2023 | As at 1 January 2022 | Charge for the year | Deletions/ Adjustments | As at 31 December 2023 | As at 31 December 2023 | As at 31 December 2022 |
| | **(JPY)** | **(JPY)** | **(JPY)** | **(JPY)** | **(JPY)** | **(JPY)** | **(JPY)** | **(JPY)** | **(JPY)** | **(JPY)** |
| Software | 393 | - | - | 393 | 380 | 13 | - | 393 | 0 | 13 |
| **Total** | **393** | **-** | **-** | **393** | **380** | **13** | **-** | **393** | **0** | **13** |
| Estimated remaining useful life (in years) | | | | | | | | | **-** | **-** |

**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** |

**C3i Japan GK**
**Notes to financial statements for the year ended 31 December 2023**
(All amount in thousands, except share data and as stated otherwise)

**2.02 Other non-current assets**

| | As at | |
|---|---|---|
| | 31 December 2023 | 31 December 2022 |
| | (JPY) | (JPY) |
| **Non-current** | | |
| Prepaid expenses | 268 | 830 |
| | **268** | **830** |

**2.03 Financial assets - others**

| | As at | |
|---|---|---|
| | 31 December 2023 | 31 December 2022 |
| | (JPY) | (JPY) |
| **Non-current** | | |
| Security deposits | - | 41 |
| | **-** | **41** |

**2.04 Financial assets - Trade Receivable**

| | As at | |
|---|---|---|
| | 31 December 2023 | 31 December 2022 |
| | (JPY) | (JPY) |
| **Current** | | |
| Billed | | |
| Unsecured, considered good (refer note below) | 14,109 | 29,798 |
| Unbilled receivables (refer note below) | 6,156 | 37,973 |
| | **20,265** | **67,771** |

**Note**
**Billed:** Includes receivables from related parties amounting to JPY 14,109 (31 December 2022 JPY 29,790) (refer note - 2.23 (d))
**Unbilled:** Includes receivables from related parties amounting to JPY 6,156 (31 December 2022 JPY 37,094) (refer note -2.23 (d))

| **Trade receivables - current** | **Not Due** | **Outstanding as at 31st December 2023 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 | - | 14,109 | - | | - | - | 14,109 |
| Unbilled receivables | 6,156 | - | - | - | - | - | 6,156 |
| | **6,156** | **14,109** | **-** | **-** | **-** | **-** | **20,265** |

| **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 | - | - | - | - | - | 37,973 |
| | **37,973** | **29,798** | **-** | **-** | **-** | **-** | **67,771** |

**2.05 Financial assets - Cash and cash equivalents**

| | As at | |
|---|---|---|
| | 31 December 2023 | 31 December 2022 |
| | (JPY) | (JPY) |
| **Balance with banks** | | |
| in current accounts | 71,272 | 13,091 |
| | **71,272** | **13,091** |

**2.06 Financial Assets - Others**

| | As at | |
|---|---|---|
| | 31 December 2023 | 31 December 2022 |
| | (JPY) | (JPY) |
| **Current** | | |
| Security deposits | 14,844 | 18,650 |
| | **14,844** | **18,650** |

**2.07 Other current assets**

| | As at | |
|---|---|---|
| | 31 December 2023 | 31 December 2022 |
| | (JPY) | (JPY) |
| **Unsecured** | | |
| Advances to employees | 320 | 98 |
| Less: Provision for doubtful advances | (75) | (75) |
| | **245** | **23** |
| **Others** | | |
| Prepaid expenses | 737 | 827 |
| Consumption tax receivable | 6,530 | 3,320 |
| | **7,512** | **4,170** |

**C3i Japan GK**
**Notes to financial statements for the year ended 31 December 2023**
(All amount in thousands, except share data and as stated otherwise)

**2.08 Share Capital**

| | As at | |
|---|---|---|
| | 31 December 2023 | 31 December 2022 |
| | Amount (JPY) | Amount (JPY) |
| Issued, susbscribed and fully paid up | | |
| 1 equity share of JPY 1 each* | 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 2.28

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

| | As at | | | |
|---|---|---|---|---|
| | 31 December 2023 | | 31 December 2022 | |
| | No. of shares | Amount (JPY) | No. of shares | Amount (JPY) |
| Number of shares at the beginning* | 1 | 0 | 1 | 0 |
| Number of shares at the end* | 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 2023 | | 31 December 2022 | |
| | No. of shares | Shareholding % | No. of shares | Shareholding % |
| Telerx Marketing Inc. | 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 2023 | | 31 December 2022 | | |
| | No. of shares | Shareholding % | No. of shares | Shareholding % | |
| Telerx Marketing Inc. | 1 | 100 | 1 | 100 | 0% |

| | As at | | | | % Change during the year |
|---|---|---|---|---|---|
| | 31 December 2022 | | 01 January 2022 | | |
| | 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 2023 | 31 December 2022 |
| | (JPY) | (JPY) |
| Trade payables - Others | 588 | 365 |
| Unbilled and accruals | 342 | 2,202 |
| Trade payable - related parties (Refer note 2.23 (d)) | - | 3,874 |
| | **931** | **6,441** |

| Particulars | Not Due | Outstanding as at 31st December 2023 from the due date of payment | | | | |
|---|---|---|---|---|---|---|
| | | Less than 1 year | 1-2 years | 2-3 years | More than 3 years | Total |
| Trade payables | 588 | - | - | - | - | 588 |
| Unbilled and accruals | - | - | - | - | - | 342 |
| | **588** | **-** | - | **-** | **-** | **930** |

| 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** |

**2.10 Financial Liabilities - Others**

| | As at | |
|---|---|---|
| | 31 December 2023 | 31 December 2022 |
| | (JPY) | (JPY) |
| **Current** | | |
| Carried at amortized cost | | |
| Interest payable on borrowings | 208 | 426 |
| Employee bonuses accrued | 2,579 | 5,935 |
| Other employee payable | 635 | 1,028 |
| Other payables - related parties (refer note 2.23(d)) | - | 717 |
| | **3,422** | **8,106** |

**2.11 Other Current Liabilities**

| | As at | |
|---|---|---|
| | 31 December 2023 | 31 December 2022 |
| | (JPY) | (JPY) |
| Others | | |
| Withholding and other taxes payable | 6,292 | 3,595 |
| | **6,292** | **3,595** |

**2.12 Provisions**

| | As at | |
|---|---|---|
| | 31 December 2023 | 31 December 2022 |
| | (JPY) | (JPY) |
| Provisions for leave benefits | 2,094 | 3,677 |
| | **2,094** | **3,677** |

**2.13 Borrowings**

| | As at | |
|---|---|---|
| | 31 December 2023 | 31 December 2022 |
| | (JPY) | (JPY) |
| **Current Borrowings** | | |
| From related parties - refer note below | 49,000 | 49,000 |
| | **49,000** | **49,000** |

**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 2023 (JPY) | Year ended 31 December 2022 (JPY) |
|---|---|---|
| Sale of services | 195,039 | 206,296 |
| | **195,039** | **206,296** |

Revenue disaggregation as per geography has been included in segment information (Refer note 2.21).

**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 2023, the aggregate amount of transaction price allocated to remaining performance obligations as per the requirements of Ind AS 115 was JPY Nil (31 December 2022 : 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 2023.

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 2023 and 31 December 2022.

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

| | Year ended 31 December 2023 (JPY) | Year ended 31 December 2022 (JPY) |
|---|---|---|
| Contract price | 195,039 | 206,296 |
| **Revenue recognised** | **195,039** | **206,296** |

**2.15 Other income**

| | Year ended 31 December 2023 (JPY) | Year ended 31 December 2022 (JPY) |
|---|---|---|
| Interest income on financial instruments carried at amortized cost | 85 | 355 |
| Exchange differences (net) | 3,663 | - |
| Provision for recovery from separated employees | - | 531 |
| | **3,748** | **886** |

**2.16 Employee benefits expense**

| | Year ended 31 December 2023 (JPY) | Year ended 31 December 2022 (JPY) |
|---|---|---|
| Salaries, wages and bonus | 122,089 | 124,648 |
| Contribution to legal welfare and other funds | 20,123 | 19,509 |
| | **142,212** | **144,157** |

**2.17 Finance cost**

| | Year ended 31 December 2023 (JPY) | Year ended 31 December 2022 (JPY) |
|---|---|---|
| Interest | | |
| -on lease liability | 99 | 214 |
| -on loans from related party (refer note-2.23 (c)) | 202 | 508 |
| Bank charges | 406 | 410 |
| | **707** | **1,132** |

**2.18 Other expenses**

| | Year ended 31 December 2023 (JPY) | Year ended 31 December 2022 (JPY) |
|---|---|---|
| Power and fuel | 966 | 994 |
| Repairs and maintenance -Others | 6,262 | 2,313 |
| Communication costs | 830 | 647 |
| Travel and conveyance | 167 | 1,340 |
| Legal and professional charges | 4,450 | 6,358 |
| Rates & taxes | 283 | 344 |
| Provision for doubtful debts/ bad debts written off | 8 | - |
| Exchange differences (net) | - | 2,099 |
| Outsourcing cost | 374 | 1,590 |
| Miscellaneous expenses | 3,485 | 4,886 |
| | **16,825** | **20,571** |

**2.19 Income taxes**

| | Year ended 31 December 2023 (JPY) | Year ended 31 December 2022 (JPY) |
|---|---|---|
| Current income tax charge | 5,923 | 3,767 |
| Deferred tax charge (credit) | (697) | 1,167 |
| **Total** | **5,226** | **4,934** |

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 2023 (JPY) | Year ended 31 December 2022 (JPY) |
|---|---|---|
| Profit before income tax | 15,508 | 16,136 |
| Statutory tax rate | 35.40% | 36.17% |
| **Expected tax expense** | **5,489** | **5,836** |
| Permanent differences | - | (128) |
| Impact of rate change | 123 | 61 |
| Deduction for enterprise tax paid | (204) | (772) |
| Impact of prior period provisions | (166) | (63) |
| Others | (16) | - |
| **Total taxes** | **5,226** | **4,934** |
| Effective income tax rate | 33.70% | 30.58% |

Components of deferred tax assets and liabilities as on 31 December 2023 **Amount in (JPY)**

| Particulars | Opening balance | Recognized in profit and loss | Closing balance |
|---|---|---|---|
| **Deferred tax assets** | | | |
| Travel provision | 59 | (59) | - |
| Provision for expenses | 1,219 | 1,095 | 2,314 |
| Accrued employee costs | 2,053 | (1,100) | 953 |
| Depreciation and amortization | 2,586 | 1,210 | 3,796 |
| Leave encashment | 1,330 | (589) | 741 |
| Others | 117 | (14) | 103 |
| **Gross deferred tax assets (A)** | **7,364** | **543** | **7,907** |
| **Deferred tax liabilities** | | | |
| Lease - IND AS 116 | 549 | (152) | 397 |
| Others | (3) | (2) | (5) |
| **Gross deferred tax liabilities (B)** | **546** | **(154)** | **392** |
| **Net deferred tax assets (A-B)** | **6,818** | **697** | **7,515** |

**2.19 Income taxes (continued)**

Components of deferred tax assets and liabilities as on 31 December 2022

| 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 | 78 | 117 |
| **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** |

**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 2022 | 31,091 | 31,091 |
| Depreciation | (18,731) | (18,731) |
| **Balance as at 31 December 2022** | **12,360** | **12,360** |
| Balance as at 1 January 2023 | 12,360 | 12,360 |
| Additions | 15,382 | 15,382 |
| Depreciation | (17,399) | (17,399) |
| Written off adjustment | (519) | (519) |
| **Balance as at 31 December 2023** | **9,824** | **9,824** |

The reconciliation of lease liabilities is as follows:

| | Year ended 31 December 2023 | Year ended 31 December 2022 |
|---|---|---|
| | (JPY) | (JPY) |
| Balance as at beginning of the year | 10,841 | 29,277 |
| Additions | 14,737 | - |
| Amounts recognized in statement of profit and loss as interest expense | 99 | 214 |
| Payment of lease liabilities | (17,064) | (18,650) |
| **Balance as at end of the year** | **8,613** | **10,841** |

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 31 December 2023 | Year ended 31 December 2022 |
|---|---|---|
| | | (JPY) |
| Within one year | 8659 | 10,878 |
| One to two years | 0 | - |
| **Total lease payments** | **8659** | **10,878** |
| Imputed interest | (46) | (37) |
| **Total lease liabilities** | **8,613** | **10,841** |

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 2023, 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.

**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".

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

| Particulars | Year ended 31 December 2023 (JPY) | Year ended 31 December 2022 (JPY) |
|---|---|---|
| America | 195,039 | 205,703 |
| Japan | - | 593 |
| **Total** | **195,039** | **206,296** |

**2.22 Financial Assets and Liabilities**
The carrying value of financial instruments by categories as at 31 December 2023 is as follows:

| Particulars | Amortized (JPY) | Total (JPY) |
|---|---|---|
| **Financial assets** | | |
| Trade receivables | 20,265 | 20,265 |
| Cash and cash equivalents | 71,272 | 71,272 |
| Others | 14,844 | 14,844 |
| **Total** | **106,381** | **106,381** |
| **Financial liabilities** | | |
| Borrowings | 49,000 | 49,000 |
| Trade payables | 931 | 931 |
| Lease liabilities | 8,613 | 8,613 |
| Others | 3,422 | 3,422 |
| **Total** | **61,966** | **61,966** |

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 2022 is as follows:

| Particulars | Amortized (JPY) | Total (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** |

**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 438 for the year ended 31 December 2023.

**(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.

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 2023** | | | | | |
| Borrowings | 49,000 | - | - | - | 49,000 |
| Trade payables | 931 | - | - | - | 931 |
| Lease liabilities | 8,613 | - | - | - | 8,613 |
| Other financial liabilities | 3,422 | - | - | - | 3,422 |
| **Total** | **61,966** | **-** | **-** | **-** | **61,966** |
| **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** |

**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**
Telerx Marketing Inc (Holding company)
HCL Japan Limited (Fellow subsidiary)
HCL America Inc. (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 2023(JPY)** | | | | |
| Holding company | 184,589 | - | - | - |
| Fellow subsidiary company | 11,343 | 202 | - | - |
| **Total** | **195,932** | **202** | **-** | **-** |
| **For the year ended 31 December 2022(JPY)** | | | | |
| Holding company | 204,811 | - | - | - |
| Fellow subsidiary company | - | 508 | - | - |
| **Total** | **204,811** | **508** | **-** | **-** |

**d) Outstanding balances**

| | Trade Receivables - Unbilled | Trade Receivables - Billed | Interest payable on borrowings | Trade payables | Other payables | Borrowings |
|---|---|---|---|---|---|---|
| **For the year ended 31 December 2023(JPY)** | | | | | | |
| Holding company | 6,156 | 13,908 | - | - | - | - |
| Fellow subsidiary company | | 200 | 208 | - | - | 49,000 |
| **Total** | **6,156** | **14,108** | **208** | **-** | **-** | **49,000** |
| **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** |

**C3i Japan GK**
**Notes to financial statements for the year ended 31 December 2023**
(All amount in thousands, except share data and as stated otherwise)

**2.24 Ratio**

| | Numerator | Denominator | Units | Year ended | | % Variance |
|---|---|---|---|---|---|---|
| | | | | 31 December 2023 | 31 December 2022 | |
| Current ratio | Current assets | Current liabilities | Times | 1.53 | 1.25 | **22%** |
| Debt equity ratio | Total debts | Total equity | Times | 0.85 | 1.05 | **(19)%** |
| Debt service coverage ratio | Earning availables for debt service (refer note 1 below) | Debt service (refer note 2 below) | Times | 1.92 | 2.03 | **(5)%** |
| Return on equity ratio | Profit for the year | Average total equity | % | 16 | 22 | **(27)%** |
| Trade receivables turnover ratio | Revenue from operations | Average trade receivables | Times | 4.43 | 3.62 | **22 %** |
| Trade payables turnover ratio | Net credit purchases (refer note 4 below) | Average trade payables | Times | 4.56 | 5.53 | **(18)%** |
| Net capital turnover ratio | Revenue from operations | Working capital (refer note below 5) | Times | 4.94 | 9.94 | **(50)%** |
| Net profit ratio | Profit for the year | Revenue from operations | % | 5 | 5 | **0** |
| Return on capital employed | Earning before interest and taxes | Capital employed (refer note 6 below) | % | 13 | 14 | **(7)%** |

**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) Return on equity ratio has been reduced majorly on account of decrease in profits during the year.
(2) Net capital turnover ratio has been reduced majorly on account of increase in working capital during the year.

**2.25 Earnings Per Share (EPS)**
The computation of earnings per share as follows:

| | Year ended | Year ended |
|---|---|---|
| | 31 December 2023 | 31 December 2022 |
| | (JPY) | (JPY) |
| Net Profit as per statement of profit and loss for computation of | 10,282 | 11,202 |
| 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 | 10,282 | 11,202 |
| - Diluted | 10,282 | 11,202 |

**2.26 Commitment**

| | As at | |
|---|---|---|
| | 31 December 2023 | 31 December 2022 |
| **Capital commitment** | | |
| Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) | 191 | 499 |

**2.27 Subsequent events**

The Company has evaluated all the subsequent events through 31 Dec 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.

**2.28** 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 (May 8, 2024 16:50 GMT+5.5)

**Rakesh Dewan**
**Partner**
**Membership Number: 092212**

Place: Gurugram, India
Date:08 May 2024

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

Shiv Walia
Shiv Walia (May 8, 2024 10:40 GMT+1)

**Shiv Kumar Walia**
Director

Place: Singapore
Date: 08 May 2024

M. Nakayama
M. Nakayama (May 8, 2024 18:33 GMT+9)

**Masayuki Nakayama**
Director

Place: Japan
Date: 08 May 2024