

B S R & Co. LLP

Chartered Accountants

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Independent Auditor's Report

To the Board of Managers of C3I Japan GK

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of C3i Japan GK (the “Company”), which comprise the Balance Sheet as at 31 December 2024, and the Statement of Profit and Loss (including other comprehensive income), Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the financial statements, including material accounting policies and other explanatory information (collectively referred to as “the financial statements”).

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 December 2024, and its profit and other comprehensive income, changes in equity and its cash flows for the year ended on that date.

Basis for Opinion

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

Management's and Board of Managers' Responsibilities for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing opinion on whether the company has in place adequate internal financial controls with reference to financial statements and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures in the financial statements made by the Management and Board of Managers.
- Conclude on the appropriateness of the Management and Board of Managers use of the going concern basis of accounting in preparation of financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Other Matter-Restriction on Use

As explained in note 1(a), these financial statements are prepared for the use by the Company and the Ultimate Holding Company, HCL Technologies Limited, to comply with the requirements of the Act. These financial statements are not the statutory financial statements of the Company. As a result, these financial statements may not be suitable for another purpose. Our report must not be copied, disclosed, quoted, or referred to, in correspondence or discussion, in whole or in part to anyone other than the purpose for which it has been issued without our prior written consent.

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

Place: Gurugram, India
Date: 12th May 2025

Rakesh Dewan
Partner
Membership No. 092212
ICAI UDIN: 25092212BMMJFO6518

C3i Japan GK

FINANCIAL STATEMENTS

For the year ended 31st December 2024 and 31st December 2023

C3i Japan GK

Balance Sheet as at 31 December 2024

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

	Note No.	As at 31 December 2024 (JPY)	As at 31 December 2023 (JPY)
I. ASSETS			
(1) Non-current assets			
(a) Property, plant and equipment	2.01(A)	5,298	10,617
(b) Right-of-use assets	2.19	-	9,824
(c) Other intangible assets	2.01(B)	-	-
(d) Deferred tax assets (net)	2.18	11,074	7,515
(e) Other non-current assets	2.02	47	268
Total non-current assets		16,419	28,224
(2) Current assets			
(a) Financial assets			
(i) Trade receivables			
Billed	2.03	-	14,109
Unbilled		47,401	6,156
(ii) Cash and cash equivalents			
	2.04	12,331	71,272
(iii) Other financial assets			
	2.05	14,844	14,844
(b) Other current assets			
	2.06	3,420	7,512
(c) Advance tax assets			
		2,765	-
Total current assets		80,761	113,893
TOTAL ASSETS		97,180	142,117
II. EQUITY			
(a) Equity share capital	2.07	0	0
(b) Other equity		78,406	67,746
TOTAL EQUITY		78,406	67,746
II. LIABILITIES			
(1) Current liabilities			
(a) Financial liabilities			
(i) Borrowings			
	2.12	-	49,000
(ii) Lease liabilities			
	2.19	-	8,613
(iii) Trade payables			
Billed - other than micro and small enterprises	2.08	2,374	588
Unbilled and accruals - other than micro and small enterprises		4,346	343
(iv) Other financial liabilities			
	2.09	4,402	3,422
(b) Provisions			
	2.11	3,179	2,094
(c) Current tax liabilities (net)			
		-	4,020
(d) Other current liabilities			
	2.10	4,473	6,292
Total current liabilities		18,774	74,371
TOTAL LIABILITIES		18,774	74,371
TOTAL EQUITY AND LIABILITIES		97,180	142,117
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

Partner

Membership Number: 092212

Place: Gurugram, India

Date: 12 May 2025

For and on behalf of the Board of Managers

Signed by:

Signed by:

Shiv Kumar Walia

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Shiv Kumar Walia

Manager

Place: India

Date: 12 May 2025

Masayuki Nakayama

BAE3729C6B08447...

Masayuki Nakayama

Manager

Place: Japan

Date: 12 May 2025

C3i Japan GK
Statement of Profit and Loss for the year ended 31 December 2024
 (All amount in thousands, except share data and as stated otherwise)

	Note No.	Year ended 31 December 2024 (JPY)	Year ended 31 December 2023 (JPY)
I Revenue			
Revenue from operations	2.13	183,706	195,039
Other income	2.14	0	3,748
Total income		183,706	198,787
II Expenses			
Employee benefits expense	2.15	126,144	142,212
Finance costs	2.16	715	707
Depreciation and amortization expenses	2.01 & 2.19	15,904	23,535
Other expenses	2.17	26,484	16,825
Total expenses		169,247	183,279
III Profit before tax		14,459	15,508
IV Tax expense	2.18		
Current tax		7,358	5,923
Deferred tax charge		(3,559)	(697)
Total tax expense		3,799	5,226
V Profit for the year		10,660	10,282
VI Other comprehensive income		-	-
VII Total comprehensive income for the year		10,660	10,282
Earnings per share			
Basic and Diluted	2.24	10,660	10,282

Summary of significant accounting policies

1

The accompanying notes are an integral part of the financial statements

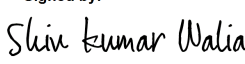
As per our report of even date

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

Rakesh Dewan
Partner
 Membership Number: 092212

Place: Gurugram, India
 Date: 12 May 2025

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

Signed by:

 Shiv Kumar Walia
 72A7C0E945D0446...
 Manager

Place: India
 Date: 12 May 2025

Signed by:

 Masayuki Nakayama
 BAE3729C6B08447...
 Manager

Place: Japan
 Date: 12 May 2025

C3i Japan GK**Statement of Changes in Equity for the year ended 31 December 2024**

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

A. Equity share capital

	(JPY)
Balance as at 1 January 2024	0
Change in equity share capital during the year	-
Balance as at 31 December 2024	0
Balance as at 1 January 2023	0
Change in equity share capital during the year	-
Balance as at 31 December 2023	0

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

B. Other equity

	(JPY)
Balance at 1 January, 2024	67,746
Total comprehensive income for the year ended 31 December 2024	
Profit for the year	10,660
Other comprehensive income	-
Total comprehensive income for the year	10,660
Balance as at 31st December, 2024	78,406
Balance as of January 1, 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 31 December 2023	67,746

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

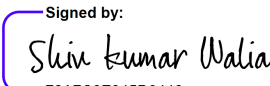
Rakesh Dewan**Partner**

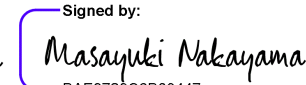
Membership Number: 092212

Place: Gurugram, India

Date: 12 May 2025

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

Signed by:

 Shiv Kumar Walia
72A7C0E945D0446...
 Manager

Signed by:

 Masayuki Nakayama
BAE3729C6B08447...
 Manager

Place: India

Date: 12 May 2025

Place: Japan

Date: 12 May 2025

C3i Japan GK

Statement of Cash flows for the year ended 31 December 2024

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

	Year ended 31 December 2024 (JPY)	Year ended 31 December 2023 (JPY)
A. Cash flows from operating activities		
Profit before tax	14,459	15,508
Adjustment for:		
Depreciation and amortization expenses	15,904	23,535
Finance costs	308	301
Interest income on financial instruments	(0)	(85)
Unrealised exchange gain	(1,676)	(392)
Provision for doubtful debts	-	8
	28,995	38,875
Net change in		
Trade receivables	(25,460)	47,890
Other financial assets and other assets	4,312	1,027
Trade payables	5,790	(5,510)
Provisions, other financial liabilities and other liabilities	344	(3,353)
Cash generated from operations	13,981	78,929
Income taxes paid (net of refunds)	(14,143)	(3,164)
Net cash flow (used in)/from operating activities (A)	(162)	75,765
B. Cash flows from investing activities		
Purchase of property, plant and equipment	(761)	(100)
Net cash used in investing activities (B)	(761)	(100)
C. Cash flows from financing activities		
Payment of lease liability including interest	(8,659)	(17,064)
Repayment of short term borrowings	(49,000)	-
Payment of interest on short term borrowings	(359)	(420)
Net cash used in financing activities (C)	(58,018)	(17,484)
Net (decrease)/increase in cash and cash equivalents (A+B+C)	(58,941)	58,181
Cash and cash equivalents at the beginning of the year	71,272	13,091
Cash and cash equivalents at the end of the year as per note 2.04	12,331	71,272

Notes:

1. Reconciliation of liabilities arising from financing activities

	Borrowings	Interest on borrowings
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
Balance as at 1 January 2024	49,000	208
Cashflow		
Repayment of short term borrowings	(49,000)	-
Repayment of interest	-	(359)
Non cash changes		
Interest accrued during the year	-	262
Balance as at 31 December 2024	-	111

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/100022

Rakesh Dewan
Partner
Membership Number: 092212

Place: Gurugram, India
Date: 12 May 2025

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

Signed by:
Shiv Kumar Masayuki Nakayama
72A7C0E945D044B BAE3729C6B08447...
Shiv Kumar Walla Masayuki Nakayama
Manager Manager

Place: India
Date: 12 May 2025

Place: Japan
Date: 12 May 2025

C3i Japan GK

Notes to financial statements for the year ended 31 December 2024

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

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 2024 were approved and authorized for issue by the Board of Managers on 12 May 2025.

1. MATERIAL 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 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.

C3i Japan GK

Notes to financial statements for the year ended 31 December 2024

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

MATERIAL 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

C3i Japan GK

Notes to financial statements for the year ended 31 December 2024

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

MATERIAL 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.

C3i Japan GK**Notes to financial statements for the year ended 31 December 2024**

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

MATERIAL ACCOUNTING POLICIES (continued)

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

<i>Category of asset</i>	<i>Life (in years)</i>
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:

<i>Category of asset</i>	<i>Life (in years)</i>
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

C3i Japan GK

Notes to financial statements for the year ended 31 December 2024

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

MATERIAL ACCOUNTING POLICIES (continued)

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

Revenue is recognized when, or as, control of a promised service or good transfers to a customer, in an amount that reflects the consideration (Transaction price) to which the Company expects to be entitled in exchange for transferring those products or services (Performance obligation). Revenue is recognized for any contract, once it is approved in writing, is legally enforceable, the rights of the parties are identified, payment terms are defined, the contract has commercial substance and collectability of consideration is probable. Revenue is measured based on the Transaction price which is the consideration of the contract and is shown net of applicable taxes and adjusted for any variable consideration like volume discounts, service level allowances, incentive or any other discount. Transaction price is also adjusted for the effects of the time value of money if the contract includes a significant financing component.

C3i Japan GK

Notes to financial statements for the year ended 31 December 2024

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

MATERIAL ACCOUNTING POLICIES (continued)

Revenue recognized but not billed to customers is classified either as contract assets or unbilled receivable in our statements of financial position. Contract assets are recognized when revenue recognized is more than billing and right to consideration is conditional upon factors other than the passage of time. Unbilled receivables are recognized where the right to consideration is unconditional and only the passage of time is required before the payment is due (i.e., only act of invoicing is pending).

Revenue from time-and-material, volume based, and transaction-based contracts is recognized as the related services are performed through efforts expended, units serviced, number of transactions processed, etc. that correspond with value transferred to customer.

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.

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 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.

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Notes to financial statements for the year ended 31 December 2024

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

MATERIAL ACCOUNTING POLICIES (continued)

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

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

i) Income Taxes

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

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Notes to financial statements for the year ended 31 December 2024

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

MATERIAL ACCOUNTING POLICIES (continued)

(i) Financial assets

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

Financial instruments at amortized cost

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

- a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
- b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

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

C3i Japan GK**Notes to financial statements for the year ended 31 December 2024**

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

MATERIAL ACCOUNTING POLICIES (continued)*Impairment of financial assets*

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

(ii) Financial liabilities

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

Derecognition

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

Offsetting of financial instruments

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

k) Provisions

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

l) Retirement and other Employee benefits

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

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

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Notes to financial statements for the year ended 31 December 2024

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

MATERIAL ACCOUNTING POLICIES (continued)

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 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

There are no recent accounting pronouncements or amendments effective during the reporting period that have significant impact on these financial statements.

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Notes to financial statements for the year ended 31 December 2024

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

2.02 Other non-current assets

	As at	
	31 December 2024	31 December 2023
	(JPY)	(JPY)
Non-current		
Prepaid expenses	47	268
	47	268

2.03 Financial assets - Trade Receivable

	As at	
	31 December 2024	31 December 2023
	(JPY)	(JPY)
Current		
Billed		
Unsecured, considered good (refer note below)	-	14,109
Unbilled receivables (refer note below)	47,401	6,156
	47,401	20,265

Note

Billed: Includes receivables from related parties amounting to JPY Nil (31 December 2023 JPY 14,109) (refer note - 2.22 (d))

Unbilled: Includes receivables from related parties amounting to JPY 47,401 (31 December 2023 JPY 6,156) (refer note -2.22 (d))

Trade receivables - current	Not Due	Outstanding as at 31st December 2024 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	-	-	-	-	-
Unbilled receivables	47,401	-	-	-	-	47,401	
	47,401	-	-	-	-	47,401	

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	-	-	-
Unbilled receivables	6,156	-	-	-	-	6,156	
	6,156	14,109	-	-	-	20,265	

2.04 Financial assets - Cash and cash equivalents

	As at	
	31 December 2024	31 December 2023
	(JPY)	(JPY)
Balance with banks		
in current accounts	12,331	71,272
	12,331	71,272

2.05 Financial Assets - Others

	As at	
	31 December 2024	31 December 2023
	(JPY)	(JPY)
Current		
Security deposits	14,844	14,844
	14,844	14,844

2.06 Other current assets

	As at	
	31 December 2024	31 December 2023
	(JPY)	(JPY)
Unsecured		
Advances to employees	244	320
Less: Provision for doubtful advances	-	(75)
	245	244
Others		
Prepaid expenses	1,665	737
Consumption tax receivable	1,510	6,530
	3,420	7,512

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Notes to financial statements for the year ended 31 December 2024

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

2.07 Share Capital

	As at	
	31 December 2024	31 December 2023
	Amount (JPY)	Amount (JPY)
Issued, subscribed 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 2.27

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

	As at			
	31 December 2024		31 December 2023	
	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 2.27

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

	As at			
	31 December 2024		31 December 2023	
	No. of shares	Shareholding %	No. of shares	Shareholding %
HCL America 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 HCL America 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 2024		31 December 2023		
	No. of shares	Shareholding %	No. of shares	Shareholding %	
HCL America Inc.	1	100	1	100	0%

	As at				% Change during the year
	31 December 2023		31 December 2022		
	No. of shares	Shareholding %	No. of shares	Shareholding %	
Telrex 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.

2.08 Financial Liabilities - Trade payables

	As at	
	31 December 2024	31 December 2023
	(JPY)	(JPY)
Trade payables - Others	2,374	588
Unbilled and accruals	4,346	343
Trade payable - related parties (Refer note 2.22 (d))	-	-
	6,720	931

Particulars	Not Due	Outstanding as at 31st December 2024 from the due date of payment					Total
		Less than 1 year	1-2 years	2-3 years	More than 3 years		
		Trade payables	2,322	52	-	-	
Unbilled and accruals	-	-	-	-	-	4,346	
	2,322	52	-	-	-	6,720	

Particulars	Not Due	Outstanding as at 31st December 2023 from the due date of payment					Total
		Less than 1 year	1-2 years	2-3 years	More than 3 years		
		Trade payables	588	-	-	-	
Unbilled and accruals	-	-	-	-	-	343	
	588	-	-	-	-	931	

2.09 Financial Liabilities - Others

	As at	
	31 December 2024	31 December 2023
	(JPY)	(JPY)
Current		
Carried at amortized cost		
Interest payable on borrowings	111	208
Employee bonuses accrued	2,049	2,579
Other employee payable	2,242	635
	4,402	3,422

2.10 Other Current Liabilities

	As at	
	31 December 2024	31 December 2023
	(JPY)	(JPY)
Others		
Withholding and other taxes payable	4,473	6,292
	4,473	6,292

2.11 Provisions

	As at	
	31 December 2024	31 December 2023
	(JPY)	(JPY)
Provisions for leave benefits	3,179	2,094
	3,179	2,094

2.12 Borrowings

	As at	
	31 December 2024	31 December 2023
	(JPY)	(JPY)
Current Borrowings		
From related parties - refer note below	-	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 repaid in C.Y. The loan carry mutually agreed interest rate of TONAR plus 50bps p.a (Refer note 2.22(d))

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Notes to financial statements for the year ended 31 December 2024

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

2.13 Revenue from operations

	Year ended	Year ended
	31 December 2024	31 December 2023
	(JPY)	(JPY)
Sale of services	183,706	195,039
	183,706	195,039

Revenue disaggregation as per geography has been included in segment information (Refer note 2.20).

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 2024, the aggregate amount of transaction price allocated to remaining performance obligations as per the requirements of Ind AS 115 was JPY 17,817,664 (31 December 2023 : JPY Nil). This is after exclusions of below:

- Contracts for which we recognize revenues based on the right to invoice for services performed,
- 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
- 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 2024.

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 2024 and 31 December 2023.

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

	Year ended	Year ended
	31 December 2024	31 December 2023
	(JPY)	(JPY)
Contract price	183,706	195,039
Revenue recognised	183,706	195,039

2.14 Other income

	Year ended	Year ended
	31 December 2024	31 December 2023
	(JPY)	(JPY)
Interest income on financial instruments carried at amortized cost	0	85
Exchange differences (net)	-	3,663
Provision for recovery from separated employees	-	-
	0	3,748

2.15 Employee benefits expense

	Year ended	Year ended
	31 December 2024	31 December 2023
	(JPY)	(JPY)
Salaries, wages and bonus	107,672	122,089
Contribution to legal welfare and other funds	18,472	20,123
	126,144	142,212

2.16 Finance cost

	Year ended	Year ended
	31 December 2024	31 December 2023
	(JPY)	(JPY)
Interest		
-on lease liability	46	99
-on loans from related party (refer note-2.22 (c))	262	202
Bank charges	407	406
	715	707

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Notes to financial statements for the year ended 31 December 2024

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

2.17 Other expenses

	Year ended	Year ended
	31 December 2024	31 December 2023
	(JPY)	(JPY)
Power and fuel	941	966
Repairs and maintenance -Others	2,141	6,262
Communication costs	783	830
Travel and conveyance	1,178	167
Legal and professional charges	6,905	4,450
Rates & taxes	234	283
Provision for doubtful debts/ bad debts written off	-	8
Exchange differences (net)	295	-
Outsourcing cost	1,474	374
Rent	4,948	-
Recruitment, training and development	2,362	-
Miscellaneous expenses	5,223	3,485
	26,484	16,825

2.18 Income taxes

	Year ended	Year ended
	31 December 2024	31 December 2023
	(JPY)	(JPY)
Current income tax charge	7,358	5,923
Deferred tax charge	(3,559)	(697)
Total	3,799	5,226

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

	Year ended	Year ended
	31 December 2024	31 December 2023
	(JPY)	(JPY)
Profit before income tax	14,459	15,508
Statutory tax rate	40.7%	35.40%
Expected tax expense	5,881	5,489
Permanent differences	-	-
Impact of rate change	(623)	123
Deduction for enterprise tax paid	(1,398)	(204)
Impact of prior period provisions	(61)	(166)
Others	-	(16)
Total taxes	3,799	5,226
Effective income tax rate	26.28%	33.70%

Components of deferred tax assets and liabilities as on 31 December 2024

Particulars	Opening balance	Recognized in profit and loss	Amount in (JPY)
			Closing balance
Deferred tax assets			
Travel provision	-	84	84
Provision for expenses	2,314	(1,379)	935
Accrued employee costs	953	708	1,661
Depreciation and amortization	3,796	1,805	5,601
Leave encashment	741	551	1,292
Others	103	1,417	1,520
Gross deferred tax assets (A)	7,907	3,186	11,093
Deferred tax liabilities			
Lease - IND AS 116	397	(397)	-
Others	(5)	24	19
Gross deferred tax liabilities (B)	392	(373)	19
Net deferred tax assets (A-B)	7,515	3,559	11,074

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Notes to financial statements for the year ended 31 December 2024

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

2.18 Income taxes (continued)

Components of deferred tax assets and liabilities as on 31 December 2023

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 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 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
Balance as at 1 January 2024	9,824	9,824
Depreciation	(9,824)	(9,824)
Balance as at 31 December 2024	-	-

The reconciliation of lease liabilities is as follows:

	Year ended	Year ended
	31 December 2024	31 December 2023
	(JPY)	(JPY)
Balance as at beginning of the year	8,613	10,841
Additions	-	14,737
Amounts recognized in statement of profit and loss as interest expense	46	99
Payment of lease liabilities	(8,659)	(17,064)
Balance as at end of the year	-	8,613

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
	31 December 2024	31 December 2023
	(JPY)	(JPY)
Within one year	-	8659
One to two years	-	-
Total lease payments	-	8,659
Imputed interest	-	(46)
Total lease liabilities	-	8,613

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 2024, 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.

C3i Japan GK**Notes to financial statements for the year ended 31 December 2024**

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

2.20 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	Year ended
	31 December 2024	31 December 2023
	(JPY)	(JPY)
America	140,157	195,039
United Kingdom	43,549	-
Total	183,706	195,039

2.21 Financial Assets and Liabilities

The carrying value of financial instruments by categories as at 31 December 2024 is as follows:

Particulars	Amortized	Total
	(JPY)	(JPY)
Financial assets		
Trade receivables	47,401	47,401
Cash and cash equivalents	12,331	12,331
Others	14,844	14,844
Total	74,576	74,576
Financial liabilities		
Borrowings	-	-
Trade payables	6,720	6,720
Lease liabilities	-	-
Others	4,402	4,402
Total	11,122	11,122

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 2023 is as follows:

Particulars	Amortized	Total
	(JPY)	(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

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 0.67 for the year ended 31 December 2024.

(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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Notes to financial statements for the year ended 31 December 2024

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

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 2024					
Borrowings	-	-	-	-	-
Trade payables	6,720	-	-	-	6,720
Lease liabilities	-	-	-	-	-
Other financial liabilities	4,402	-	-	-	4,402
Total	11,122	-	-	-	11,122
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

2.22 Related party transactions

a) Related parties where control exists

HCL Technologies Limited, India (Ultimate holding company)

HCL America Inc (Holding company)

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

HCL America Inc (Holding company)

HCL Japan Limited (Fellow subsidiary)

HCL Technologies Corporate Services Limited (Fellow subsidiary)

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

	Revenue	Interest Expense	Loan taken	Loan Remittance
For the year ended 31 December 2024(JPY)				
Holding company	140,157	-	-	-
Fellow subsidiary company	43,549	262	-	-
Total	183,706	262	-	-
For the year ended 31 December 2023(JPY)				
Holding company	184,589	-	-	-
Fellow subsidiary company	11,343	202	-	-
Total	195,932	202	-	-

d) Outstanding balances

	Trade Receivables - Unbilled	Trade Receivables - Billed	Interest payable on borrowings	Trade payables	Other payables	Borrowings
For the year ended 31 December 2024(JPY)						
Holding company	34,343	-	-	-	-	-
Fellow subsidiary company	13,058	-	111	-	-	-
Total	47,401	-	111	-	-	-
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

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Notes to financial statements for the year ended 31 December 2024

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

2.23 Ratio

	Numerator	Denominator	Units	Year ended		% Variance
				31 December 2024	31 December 2023	
Current ratio	Current assets	Current liabilities	Times	4.30	1.53	181%
Debt equity ratio	Total debts	Total equity	Times	-	0.85	(100)%
Debt service coverage ratio	Earning available for debt service (refer note 1 below)	Debt service (refer note 2 below)	Times	0.43	1.92	(78)%
Return on equity ratio	Profit for the year	Average total equity	%	15	16	(6)%
Trade receivables turnover ratio	Revenue from operations	Average trade receivables	Times	5.43	4.43	23%
Trade payables turnover ratio	Net credit purchases (refer note 4 below)	Average trade payables	Times	6.92	4.56	52%
Net capital turnover ratio	Revenue from operations	Working capital (refer note below 5)	Times	2.96	4.94	(40)%
Net profit ratio	Profit for the year	Revenue from operations	%	6	5	20
Return on capital employed	Earning before interest and taxes	Capital employed (refer note 6 below)	%	19	13	46%

Notes :

- (1) Earning available 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 reduction in current liabilities due to repayment of borrowings and payment of leases.
- (2) Debt equity ratio has been reduced majorly on account of repayment of borrowings and leases liabilities.
- (3) Debt service coverage ratio has been decreased majorly on account of repayment of borrowings and interest.
- (4) Trade payables turnover ratio has been increased mainly on account of increase in trade payables and other expenses.
- (5) Net capital turnover ratio has been reduced majorly on account of increase in working capital during the year.
- (6) Return on capital employees ratio has been increased majorly on account of repayment of borrowings and leases liabilities.

2.24 Earnings Per Share (EPS)

The computation of earnings per share as follows:

	Year ended	
	31 December 2024	31 December 2022
	(JPY)	(JPY)
Net Profit as per statement of profit and loss for computation of	10,660	10,282
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	10,660	10,282
- Diluted	10,660	10,282

2.25 Commitment

	As at	
	31 December 2024	31 December 2022
Capital commitment		
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	0	191

C3i Japan GK

Notes to financial statements for the year ended 31 December 2024

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

2.26 Subsequent events

The Company has evaluated all the subsequent events through 12 May 2025 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.

2.27 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
Partner
Membership Number: 092212

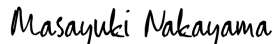
Place: Gurugram, India
Date: 12 May 2025

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

Signed by:

72A7C0E945D0446...
Shiv Kumar Walia
Manager

Place: India
Date: 12 May 2025

Signed by:

BAE3729C6B08447...
Masayuki Nakayama
Manager

Place: Japan
Date: 12 May 2025