

HCL Japan Limited

Financial Statements

For the year ended 31 March 2025 and year ended 31 March 2024

Independent Auditor's Report**To the Board of Directors of HCL Japan Limited****Report on the Audit of the Financial Statements****Opinion**

We have audited the financial statements of HCL Japan Limited (the "Company"), which comprise the Balance Sheet as at 31 March 2025, 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 March 2025, 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 Directors' Responsibilities for the Financial Statements

The Company's Management and Board of Directors are responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, profit/loss (including other comprehensive income), changes in equity and cash flows of the Company in accordance with the 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,

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relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing 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 Directors.
- Conclude on the appropriateness of the Management and Board of Directors 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.

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- 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: 30 June 2025

Prince Sharma

Partner

Membership No. 521307

ICAI UDIN: 25521307BMNPKG6039

Registered Office:

HCL Japan Limited
Balance Sheet

(All amount in millions of JPY, except share data and as stated otherwise)

	Note No.	As at 31 March 2025	As at 31 March 2024
ASSETS			
(1) Non-current assets			
(a) Property, plant and equipment	3.1 (a)	227	223
(b) Right-of-use assets	3.24	735	180
(c) Goodwill	3.1 (b)	2,651	567
(d) Other intangible assets	3.1 (c)	2,817	232
(e) Financial assets			
(i) Trade receivables - unbilled	3.5 (a)	494	21
(ii) Others	3.2	344	195
(f) Deferred tax assets (net)	3.22	130	38
(g) Other non-current assets	3.3	8	7
Total non-current assets		7,406	1,463
(2) Current assets			
(a) Inventories	3.4	6	21
(b) Financial assets			
(i) Trade receivables	3.5 (b)		
Billed		7,699	4,756
Unbilled		1,321	787
(ii) Cash and cash equivalents	3.6	1,589	3,277
(iii) Loans	3.7	-	49
(iv) Others	3.2	153	316
(c) Other current assets	3.8	3,503	2,598
Total current assets		14,271	11,804
TOTAL ASSETS		21,677	13,267
EQUITY			
(a) Equity share capital	3.9	301	220
(b) Other equity		3,894	2,888
TOTAL EQUITY		4,195	3,108
LIABILITIES			
(1) Non-current liabilities			
(a) Financial liabilities			
(i) Lease liabilities	3.24	592	69
(ii) Others	3.10	9	1
(b) Contract liabilities	3.15	1,175	346
(c) Provisions	3.11	1	1
Total non-current liabilities		1,777	417
(2) Current liabilities			
(a) Financial liabilities			
(i) Borrowings	3.12	461	-
(ii) Trade payables	3.13		
Billed		913	1,563
Unbilled and accruals		7,092	4,333
(iii) Lease liabilities	3.24	150	179
(iv) Others	3.10	2,120	400
(b) Contract liabilities	3.15	3,065	1,862
(c) Other current liabilities	3.14	1,300	938
(d) Provisions	3.11	307	187
(e) Current tax liabilities (net)		297	280
Total current liabilities		15,705	9,742
TOTAL LIABILITIES		17,482	10,159
TOTAL EQUITY AND LIABILITIES		21,677	13,267

Material accounting policies

1

The accompanying notes are an integral part of the financial statements

As per our report of even date attached

For B S R & Co. LLP
Chartered Accountants

Firm Registration Number : 101248W/W-100022

Signed by:



Prince Sharma

Partner

Membership Number: 521307

Gurugram, India

Date: 30 June 2025

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

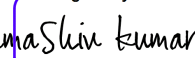
Signed by:



Masayuki Nakayama

Director

Signed by:



Shiv Kumar Walia

Director

Place: Japan

Date: 30 June 2025

Place: Noida, U.P.

Date: 30 June 2025

HCL Japan Limited
Statement of Profit and Loss

(All amount in millions of JPY, except share data and as stated otherwise)

	Note No.	Year ended 31 March 2025	Year ended 31 March 2024
I Revenue			
Revenue from operations	3.16	28,698	24,091
Other income	3.17	36	442
Total income		28,734	24,533
II Expenses			
Purchase of stock in trade		148	222
Changes in inventories of stock in trade	3.18	15	(52)
Employee benefits expense	3.19	6,661	5,702
Finance costs	3.20	16	16
Depreciation and amortization expense	3.1 and 3.24	596	317
Outsourcing costs		18,995	16,451
Other expenses	3.21	867	680
Total expenses		27,298	23,336
III Profit before tax		1,436	1,197
IV Tax expense			
Current tax	3.22	518	429
Deferred tax (credit) / charge	3.22	(92)	12
Total tax expense		426	441
V Profit for the year		1,010	756
VI Other comprehensive income		-	-
VII Total Comprehensive income for the year (V+VI)		1,010	756
Earnings per equity share of par value JPY 50,000 each			
Basic and Diluted	3.23	206,419	171,783
Material accounting policies	1		

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Prince Sharma

Partner


Membership Number: 521307

Gurugram, India

Date: 30 June 2025

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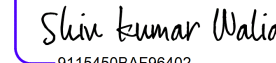
Masayuki Nakayama

Director

Place: Japan

Date: 30 June 2025

Signed by:



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Shiv Kumar Walia

Director

Place: Noida, U.P.

Date: 30 June 2025

HCL Japan Limited
Statement of Changes in Equity

(All amount in millions of JPY, except share data and as stated otherwise)

	Equity share capital		Other Equity		Total Equity
	Number of Shares	Share capital	Reserve and Surplus	Earned Surplus Reserve*	
Balance as of April 1, 2023	4,400	220	2,077	55	2,352
Profit for the year	-	-	756	-	756
Total comprehensive income for the year	4,400	220	756	55	756
Balance as of March 31, 2024	4,400	220	2,833	55	3,108
Balance as of April 1, 2024	4,400	220	2,833	55	3,108
Infusion of share capital	1,620	81	-	-	81
Profit for the year	-	-	1,010	-	1,010
Other equity (Refer note 3.19)	-	-	(4)	-	(4)
Total comprehensive income for the year	6,020	301	1,006	55	1,006
Balance as of March 31, 2025	6,020	301	3,839	55	4,195

*Earned surplus reserve in Japan is a legally mandated component of retained earnings designed to protect creditors and limit dividend payouts.

Refer note 1 for material accounting policies

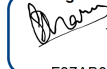
The accompanying notes are an integral part of the financial statements

As per our report of even date attached

For B S R & Co. LLP
Chartered Accountants

Firm Registration Number : 101248W/W-100022

Signed by:



Prince Sharma

Partner

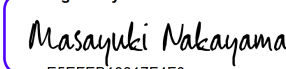
Membership Number: 521307

Gurugram, India

Date: 30 June 2025

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of HCL Japan Limited

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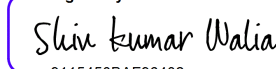
Masayuki Nakayama

Director

Place: Japan

Date: 30 June 2025

Signed by:



Shiv Kumar Walia

Director

Place: Noida, U.P.

Date: 30 June 2025

HCL Japan Limited
Statement of Cash Flows

(All amount in millions of JPY, except share data and as stated otherwise)

	Year ended 31 March 2025	Year ended 31 March 2024
A. Cash flows from operating activities		
Profit before tax	1,436	1,197
Adjustment for:		
Depreciation and amortization expense	596	317
Interest income	(36)	(15)
Unrealised foreign exchange loss	5	13
Provision for doubtful debts	-	4
Interest expense	10	10
	2,011	1,526
Net change in		
Trade receivables	(3,952)	(593)
Inventories	15	(1)
Other financial assets and other assets	(908)	(46)
Trade payables	2,106	(866)
Provisions, other financial liabilities and other liabilities	2,087	127
Cash generated from operations	1,359	147
Income tax paid (net of refunds)	(501)	(330)
Net cash flow from / (used in) operating activities	(A) 858	(183)
B. Cash flows from investing activities		
Purchase of property, plant and equipment and intangibles	(83)	(22)
Acquisition of business	(2,860)	-
Loans/ Advances received from related party	49	-
Interest received	33	15
Net cash used in investing activities	(B) (2,861)	(7)
C. Cash flows from financing activities		
Proceeds from issue of share capital	81	-
Interest on loan paid	(12)	-
Payment of lease liabilities including interest	(215)	(194)
Net cash used in financing activities	(C) (146)	(194)
Net decrease in cash and cash equivalents (A+B+C)	(2,149)	(384)
Cash and cash equivalents at the beginning of the year	3,277	3,661
Cash and cash equivalents at the end of the year as per note 3.6	1,128	3,277

Refer note 1 for material accounting policies

The accompanying notes are an integral part of the financial statements

As per our report of even date attached

For B S R & Co. LLP
Chartered Accountants

Firm Registration Number : 101248W/W-100022

Signed by:



Prince Sharma

Partner

Membership Number: 521307

Gurugram, India

Date: 30 June 2025

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

Signed by:



Masayuki Nakayama
Director

Signed by:



Shiv Kumar Walia
Director

Place: Japan

Date: 30 June 2025

Place: Noida, U.P.

Date: 30 June 2025

HCL Japan Limited**Notes to financial statements for the year ended 31 March 2025**

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

ORGANIZATION AND NATURE OF OPERATIONS

HCL Japan Limited (hereinafter referred to as the 'Company') is primarily engaged in providing a range of IT and business services, engineering and R&D services and modernized software products and IP-led offerings. The Company was incorporated in Japan in February 1998, having its registered office at 19F, NBF Hibiya Building, 1-1-7, Uchisaiwai-cho Chiyoda-Ku, Tokyo.

The financial statements for the year ended 31st March 2025 were approved and authorized for issue by the Board of Directors on 30 June 2025.

1. Material Accounting Policies**a) Basis of preparation**

The financial statements of the company have been prepared in accordance with recognition and measurement principles laid down in Indian Accounting Standards (Ind AS) prescribed under section 133 of the Companies Act, 2013 read with the Companies (Indian Accounting Standards) Rules, 2015 as amended from time to time and presentation requirements of Schedule III (Division II) to the Companies Act, 2013, as applicable, to the financial statements. The company is not domiciled in India and hence was not incorporated under Companies Act, 2013 or under any previous Company law in India. These financial statements have been prepared on the request of HCL Technologies Ltd, being the Ultimate Holding Company to comply with the requirement of the Companies Act, 2013.

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

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

The Functional currency of the Company is Japanese Yen (JPY).

b) Use of estimates, judgements and assumptions

The preparation of financial statements in conformity with Ind AS requires the management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses and other comprehensive income (OCI) that are reported and disclosed in the financial statements and accompanying notes. These estimates are based on the 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. Actual results could differ from those estimates. Changes in estimates are reflected in the financial statements in the year in which the changes are made.

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

- i. Allowance for uncollectible accounts receivables, refer note 1(j)(i)
- ii. Recognition of income and deferred taxes, refer note 1(i) and note 3.22
- iii. Useful lives of property, plant and equipment, refer note 1(d)
- iv. Provisions and contingent liabilities, refer note 1(m) and note 3.11

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 space. 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.

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

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

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

HCL Japan Limited**Notes to financial statements for the year ended 31 March 2025**

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

c) Leases (continued)*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 period 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.

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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 period-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 period.

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)
Computers	4-5
Office Equipment	5
Furniture and Fittings	7

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 amortisation and accumulated impairment losses.

Intangible assets are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognized in the statement of profit and loss.

HCL Japan Limited**Notes to financial statements for the year ended 31 March 2025**

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

e) Intangible assets (continued)

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 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.

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

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

Asset description	Asset life (in years)
Software	Over the term of license or 3 years, whichever is lower
Customer-related intangibles (includes customer contracts and customer relationships)	2-10

f) Fair value measurement

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

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

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

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

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

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

- a) Market approach – Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.
- b) Income approach – Converting the future amounts based on market expectations to its present value using the discounting methodology.
- c) Cost approach – Replacement cost method.

Certain assets are measured at fair value on a non-recurring basis. The assets consist primarily of non-financial assets such as intangible assets. Intangible assets recognized in business combinations are measured at fair value initially and subsequently when there is an indicator of impairment, the impairment is recognized.

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.

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.

HCL Japan Limited**Notes to financial statements for the year ended 31 March 2025**

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

g) Revenue Recognition (continued)

Revenue related to fixed price contracts where performance obligations and control are satisfied over a period of time like technology integration contracts, complex network building contracts, system implementations and application development contracts is recognized based on progress towards completion of the performance obligation using percentage-of-completion method. 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 an increase or decrease in revenue and such changes are recorded in the period in which they are identified.

In arrangements involving sharing of customer revenues for services delivered, revenue is recognized when the right to receive such revenue share is established.

Revenue related to other fixed price contracts providing maintenance and support services, are recognized based on the right to invoice for services performed for contracts in which the invoicing is representative of the value being delivered. If invoicing is not consistent with value delivered, revenues are recognized basis stand-alone selling price for the service performed. The Company uses cost plus expected margin to determine stand-alone selling price.

Revenue from distinct proprietary software is recognized at a point in time at the inception of the arrangement when right to use is granted to the customer. In the case of renewals of term licenses with existing customers, revenue from term license is recognized at a point in time when the renewal is agreed on signing of contracts. Revenue from support and subscription (S&S) is recognized over the contract term on a straight-line basis as the Company is providing a service of standing ready to provide support, when-and-if needed, and is providing unspecified software upgrades on a when-and-if available basis over the contract term. In case software are bundled with support and subscription either for perpetual or term based license, such support and subscription contracts are generally priced as a percentage of the net fees paid by the customer to purchase the license and are generally recognized as revenues ratably over the contractual period that the support services are provided.

When a sales arrangement contains provision of multiple products, services and software licenses, the Company identifies the distinct performance obligation including lease obligation and allocates total consideration to each performance obligation on a relative standalone selling price. Company uses cost plus expected margin to determine standalone selling price. Revenue from finance leases is recognized when all risks and ownership are transferred to the customer, with no remaining obligations that affect acceptance. Revenue is recognized at the fair value of the asset or, if lower, the present value of lease payments, discounted at a market interest rate. Interest from finance leases is recognized as other income on an accrual basis using the effective interest method.

In instances when revenue is derived from sales of third-party vendor services, material or licenses, revenue is recorded on a gross basis when the Company is a principal to the transaction and net of costs when the Company is acting as an agent between the customer and the vendor, once control of a promised good is transferred to a customer.

Revenue from certain activities in transition services in outsourcing arrangements are not capable of being distinct or represent separate performance obligation and is recognized over the period of the arrangement. Direct and incremental costs in relation to such transition activities which are expected to be recoverable under the contract are considered as contract fulfillment costs and classified as Deferred contract cost and recognized over the period of arrangement. Certain upfront non-recurring incremental contract acquisition costs and other upfront fee paid to customer are deferred and classified as Deferred contract cost and amortized to revenue, usually on a straight-line basis, over the term of the contract.

An onerous contract provision is recognized when the expected unavoidable costs of meeting the future obligations exceed the expected economic benefits to be received under a contract. Such provision, if any, is recorded in the period in which such losses become probable and is included in the cost of revenues.

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). Contract liability is Company's obligation to transfer goods or services to customers when there is excess billing over the revenue recognized.

h) Foreign currency and translation

The financial statements of the company are presented in its functional currency JPY. The company determines the functional currency which is its respective local currency.

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

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

HCL Japan Limited

Notes to financial statements for the year ended 31 March 2025

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

i) Income Taxes

Income tax expense comprises current and deferred income tax.

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

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

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

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

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

j) Financial Instruments

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

i. Financial assets

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

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.

Financial instruments at amortized cost

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

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

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

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

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

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

HCL Japan Limited

Notes to financial statements for the year ended 31 March 2025

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

Financial instrument at Fair Value through Profit and Loss

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

Derecognition of financial assets

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

Impairment of financial assets

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

ii. Financial liabilities

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

Derecognition

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

Offsetting of financial instruments

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

k) Earnings per share

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

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

l) Nature and purpose of reserve

Earned surplus reserve

The Company had transferred to Earned Surplus Reserve as per the requirement of Company Law of Japan. The transfer was being done in order to comply with the local Company Law of Japan and to strengthen the company's financial basis for protection of its creditors by reserving portion of the amount distributed as dividend.

m) Provisions

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

n) Retirement and other Employee benefits

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

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

HCL Japan Limited**Notes to financial statements for the year ended 31 March 2025**

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

Compensated absences

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

o) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is the aggregate of the consideration transferred measured at fair value at the acquisition date and the amount of any non-controlling interest in the acquiree. For each business combination, the Company measures the non-controlling interest in the acquiree at fair value. Acquisition related costs are expensed as incurred.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as financial liability is measured at fair value with changes in fair value recognized in the statement of profit and loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the excess is recognized as capital reserve after reassessing the fair values of the net assets.

p) Inventories

Stock-in-trade, stores and spares are valued at the lower of the cost or net realizable value. Cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

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

q) Recently issued accounting pronouncements

On 31 March 2025, there are no new standards or amendments to the existing standards applicable to the company which has been notified by Ministry of Corporate Affairs (MCA).

2. Acquisitions**Acquisition of business related to certain assets (CSS) of Communications Technology Group (CTG) from Hewlett Packard Enterprise (HPE)**

On 23 May 2024, HCL signed a definitive agreement to carve out and acquire business including certain intellectual property rights (IPs), customer relationships with global Communication Service Providers (CSPs) along with Engineering and R&D talent of Communications Technology Group (CTG) from HPE. The acquisition got consummated, post-regulatory approvals on 1 December 2024. The acquisition will enable HCL to gain a portfolio of service offerings that include industry-leading IPs, solutions and systems integration around Business Support Systems (BSS), network applications, service cloudification and data intelligence.

Out of the overall deal purchase price of \$ 210Mn, the company had paid the purchase price of JPY 2,860Mn which has been preliminarily allocated based on management estimates to the acquired assets and liabilities as follows:

	<u>Amount(in JPY)</u>
Customer-related intangibles	2,915
Goodwill	2,084
Property plant and equipment	26
Employee liability	(164)
Deferred revenue	(2,001)
Total purchase consideration	<u>2,860</u>

The resultant goodwill is primarily tax deductible.

The table below shows the values and lives of intangible assets recognized on acquisition which will be amortized on straight line basis :

	<u>Amount</u>	<u>Life (Years)</u>
Customer related intangibles	2,915	1.5-9
Total intangible assets	<u>2,915</u>	

The Company is in the process of making a final determination of the purchase price and fair value of assets and liabilities acquired. Finalization of such determination may result in certain adjustments to the above allocations.

HCL Japan Limited

Notes to financial statements for the year ended 31 March 2025

(All amount in millions of JPY, except share data and as stated otherwise)

3. Notes to financial statements

3.1(a) Property, plant and equipment

The changes in the carrying value for the year ended 31 March 2025

	Office Equipment	Computers and networking	Furniture and Fixtures	Total
	(JPY)	(JPY)	(JPY)	(JPY)
Gross block as at 1 April 2024	96	575	208	879
Additions	-	108	-	108
Disposals	-	(121)	-	(121)
Gross block as at 31 March 2025	96	562	208	866
Accumulated depreciation as at 1 April 2024	76	482	98	656
Charge for the year	12	65	27	104
Disposals	-	(121)	-	(121)
Accumulated depreciation as at 31 March 2025	88	426	125	639
Net block as at 31 March 2025	8	136	83	227

The changes in the carrying value for the year ended 31 March 2024

	Office Equipment	Computers and networking	Furniture and Fixtures	Total
Gross block as at 1 April 2023	96	554	207	857
Additions	-	21	1	22
Gross block as at 31 March 2024	96	575	208	879
Accumulated depreciation as at 1 April 2023	64	424	72	560
Charge for the year	12	58	26	96
Accumulated depreciation as at 31 March 2024	76	482	98	656
Net block as at 31 March 2024	20	93	110	223

3.1(b) Goodwill

The following table presents the changes in goodwill for the year ended 31 March 2025

	HCL Software	Total
Opening balance as at 1 April 2023	567	567
Closing balance as at 31 March 2024	567	567
Opening balance as at 1 April 2024	567	567
Acquisitions through business combinations	2,084	2,084
Closing balance as at 31 March 2025	2,651	2,651

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the CGU (company as a whole), which benefit from the synergies of the acquisition.

Goodwill is tested annually on March 31, for impairment, or sooner whenever there is an indication that goodwill may be impaired. Impairment is recognized, when the carrying amount of a CGU including the goodwill, exceeds the estimated recoverable amount of the CGU. The estimated value-in-use of the CGU is based on the future cash flow forecasts for next 5 years and then on perpetuity on the basis of certain assumptions which include revenue growth, earnings before interest and taxes, taxes, capital outflow and working capital requirement. The assumptions are taken on the basis of past trends and management estimates and judgement. Future cash flows are discounted with "Weighted Average Cost of Capital".

HCL Japan Limited**Notes to financial statements for the year ended 31 March 2025**

(All amount in millions of JPY, except share data and as stated otherwise)

3.1(b) Goodwill (continued)

The key assumptions are as follows:

	As at	
	31 March 2025	31 March 2024
Average revenue growth rate (average of next 5 years) (%)	3.40%	3.40%
Terminal revenue growth rate (%)	1%	1%
Pre-tax discount rate (%)	9.61%	9.5%

As at 31 March 2025 and 31 March 2024 the estimated recoverable amount of the CGU exceeded its carrying amount and accordingly, no impairment was recognized. An analysis of the sensitivity of the computation to a change in key assumptions based on reasonable probability did not identify any probable scenario in which the recoverable amount of the CGU would decrease below its carrying amount.

3.1(c) Other intangible assets**The changes in the carrying value for the year ended 31 March 2025**

	Software	Customer-related intangibles	Total
	(JPY)	(JPY)	(JPY)
Gross block as at 1 April 2024	9	609	618
Additions	1	2,915	2,916
Gross block as at 31 March 2025	10	3,524	3,534
Accumulated depreciation as at 1 April 2024	8	378	386
Amortization	-	331	331
Accumulated depreciation as at 31 March 2025	8	709	717
Net block as at 31 March 2025	2	2,815	2,817
Estimated remaining useful life (in years)	1-3	1.5-9	

The changes in the carrying value for the year ended 31 March 2024

	Software	Customer-related intangibles	Total
Gross block as at 1 April 2023	9	609	618
Additions	-	-	-
Gross block as at 31 March 2024	9	609	618
Accumulated depreciation as at 1 April 2023	7	312	319
Amortization	1	66	67
Accumulated depreciation as at 31 March 2024	8	378	386
Net block as at 31 March 2024	1	231	232
Estimated remaining useful life (in years)	2	6	

HCL Japan Limited

Notes to financial statements for the year ended 31 March 2025

(All amount in millions of JPY, except share data and as stated otherwise)

3.2 Other financial assets

	As at	
	31 March 2025	31 March 2024
Non - current		
Carried at amortized cost		
Finance lease receivables	213	195
Security deposits	131	-
	344	195
Current		
Carried at amortized cost		
Interest receivable-others	3	-
Security deposits	-	162
Finance lease receivables	132	154
Other receivables	18	-
	153	316

3.3 Other non- current assets

	As at	
	31 March 2025	31 March 2024
Unsecured considered good		
Prepaid expenses	3	1
Deferred contract cost	5	6
	8	7

3.4 Inventories

	As at	
	31 March 2025	31 March 2024
Stock in trade	6	21
	6	21

3.5 Trade Receivable

(a) Non current

	As at	
	31 March 2025	31 March 2024
Unbilled receivables	494	21
	494	21

(b) Current

	As at	
	31 March 2025	31 March 2024
	(JPY)	(JPY)
Billed		
Unsecured considered good (refer note below)	7,709	4,771
Trade receivables - Credit Impaired	11	6
	7,720	4,777
Impairment allowance for bad and doubtful debts		
Loss allowance for bad and doubtful debts (refer note 3.27(b))	(21)	(21)
	7,699	4,756
Unbilled receivables (refer note below)	1,321	787
	9,020	5,543

Note:

Billed: Trade receivable includes receivable from related party amounting to JPY 606 millions, (31 March 2024 JPY 458 millions) (refer note 3.28(d))

Unbilled: Trade receivable includes receivable from related party amounting to JPY 354 millions, (31 March 2024 JPY 75 millions) (refer note 3.28(d))

HCL Japan Limited

Notes to financial statements for the year ended 31 March 2025

(All amount in millions of JPY, except share data and as stated otherwise)

3.5 Trade receivables (continued)

Trade Receivables-Current	Not due	Outstanding as at 31 March 2025 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	7,043	583	7	71	-	5	7,709
Undisputed - credit impaired	-	2	-	4	2	3	11
Impairment allowance for bad and doubtful debts	-	-	-	-	-	-	(21)
							7,699
Unbilled receivables	1,321	-	-	-	-	-	1,321
NET TRADE RECEIVABLES	7,043	585	7	75	2	8	9,020

Trade Receivables-Current	Not due	Outstanding as at 31 March 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	3,706	943	45	39	30	8	4,771
Undisputed - credit impaired	-	-	-	6	-	-	6
Impairment allowance for bad and doubtful debts	-	-	-	-	-	-	(21)
							4,756
Unbilled receivables	787	-	-	-	-	-	787
NET TRADE RECEIVABLES	4,493	943	45	45	30	8	5,543

3.6 Cash and cash equivalent

	As at	
	31 March 2025	31 March 2024
Balance with banks		
- in current accounts	1,589	3,277
	1,589	3,277
Cash and cash equivalents consists of the following for the purpose of the cash flow statement:		
Cash and cash equivalent	1,589	3,277
Bank overdraft (refer note 3.12)	(461)	-
	1,128	-

3.7 Loans

	As at	
	31 March 2025	31 March 2024
Short term loan- related parties (refer note 3.28(d))	-	49
	-	49

3.8 Other current assets

	As at	
	31 March 2025	31 March 2024
Unsecured, considered good		
Advances other than capital advances		
Advances to suppliers-related parties (refer note 3.28(d))	-	19
Advances to employees	18	8
Others		
Deferred contract cost	6	7
Deferred contract cost - related parties (refer note 3.28(d))	2,853	2,221
Contract assets	533	302
Loans & advances	93	41
Unsecured, considered doubtful		
Advances to employees	2	1
Less: Provision for doubtful advances	(2)	(1)
	3,503	2,598

HCL Japan Limited

Notes to financial statements for the year ended 31 March 2025

(All amount in millions of JPY, except share data and as stated otherwise)

3.9 Equity Share capital

	As at	
	31 March 2025	31 March 2024
Authorized 12,800 (previous year 12,800) equity shares of JPY 50,000 each	640	640
Issued, subscribed and fully paid up 6,020 (previous year 4,400) equity shares of JPY 50,000 each, fully paid up.	301	220

Terms/ rights attached to equity shares

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

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

Reconciliation of the number of shares outstanding at the beginning and at the end of the financial year

	As at			
	31 March 2025		31 March 2024	
	No. of shares	Amount (JPY)	No. of shares	Amount (JPY)
Number of shares at the beginning	4,400	220	4,400	220
Add: Shares issued during the year	1,620	81	-	-
Number of shares at the end	6,020	301	4,400	220

Shares held by the holding company

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

	As at			
	31 March 2025		31 March 2024	
	No. of Shares	Amount (JPY)	No. of shares	Amount (JPY)
Equity shares of JPY 50,000 each fully paid HCL Technologies UK Limited , the holding company	6,020	301	4,400	220

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

Name of the shareholder	As at			
	31 March 2025		31 March 2024	
	No. of shares	% holding in the class	No. of shares	% holding in the class
Equity shares of JPY 50,000 each fully paid HCL Technologies UK Limited , the holding company	6,020	100.00%	4,400	100.00%

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

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

Capital management

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

3.10 Other financial liabilities

	As at		As at	
	31 March 2025		31 March 2024	
Non - current				
Carried at amortized cost				
Employee bonuses accrued		5		-
Others - related parties (refer note below)		4		-
Others		-		1
		9		1
Current				
Carried at amortized cost				
Interest Payable (refer note 3.28(d))		-		10
Accrued salaries and benefits				
Employee bonuses accrued		417		307
Other employee cost		67		50
Others - related parties (refer note below)		-		19
Other payables		4		2
Others				
Liabilities towards customer contracts		1,632		12
		2,120		400

Note: Includes JPY 4mn (31st March'2024, JPY 19mn) for amount payable to HCL Technologies Limited, the ultimate Parent Company against RSU's awarded to the employees of the Company (refer note 3.28(d)).

HCL Japan Limited
Notes to financial statements for the year ended 31 March 2025
 (All amount in millions of JPY, except share data and as stated otherwise)

3.11 Provisions

	As at	
	31 March 2025	31 March 2024
Non-current		
Provision for employee benefits		
Provision for leave benefits	1	1
	1	1
Current		
Provision for employee benefits		
Provision for leave benefits	307	187
	307	187

3.12 Borrowings

	As at	
	31 March 2025	31 March 2024
Bank overdraft	461	-
	461	-

3.13 Trade payables

	As at	
	31 March 2025	31 March 2024
Trade payables	234	164
Trade payables-related parties (refer note 3.28(d))	679	1,399
	913	1,563
Unbilled and accruals	795	532
Unbilled and accruals-related parties (refer note 3.28(d))	6,297	3,801
	7,092	4,333
	8,005	5,896

Particulars	Not Due	Outstanding as at 31 March 2025 from the due date of payment				Total
		Less than 1 year	1-2 years	2-3 years	More than 3 years	
Others	189	718	1	-	5	913
Unbilled and accruals						913
						7,092
						8,005

Particulars	Not Due	Outstanding as at 31 March 2024 from the due date of payment				Total
		Less than 1 year	1-2 years	2-3 years	More than 3 years	
Others	1,029	363	167	4	-	1,563
Unbilled and accruals						1,563
						4,333
						5,896

3.14 Other current liabilities

	As at	
	31 March 2025	31 March 2024
Advances received from customers	50	52
Others		
Withholding and other taxes payable	1,250	886
	1,300	938

3.15 Contract liabilities

	As at	
	31 March 2025	31 March 2024
Non - Current		
Contract liabilities	1,175	346
	1,175	346
Current		
Contract liabilities	3,065	1,862
	3,065	1,862

HCL Japan Limited**Notes to financial statements for the year ended 31 March 2025**

(All amount in millions of JPY, except share data and as stated otherwise)

3.16 Revenue from operations

	For the year ended 31 March 2025	For the year ended 31 March 2024
Sale of services	28,498	23,940
Sale of hardware and software	200	151
	28,698	24,091

Revenue disaggregation as per geography has been included in segment information (Refer note 3.25).

Remaining performance obligations

Remaining performance obligations are subject to variability due to several factors such as terminations, change in scope of contracts, periodic revalidations of the estimates, economic factors (change in currency rates, tax laws etc.). As at 31 March 2025, the aggregate amount of transaction price allocated to remaining performance obligations as per the requirements of IND AS 115 was JPY 22,860 millions (31st March 2024, JPY 25,003 millions) out of which, approximately 44% (31 March 2024 approximately 42%) expected to be recognized as revenues within one year and balance beyond one year. This is after exclusions of below:

- a) Contracts for which we recognize revenues based on the right to invoice for services performed,
- b) Variable consideration allocated entirely to a wholly unsatisfied performance obligation or to a wholly unsatisfied promise to transfer a distinct good or service that forms part of a single performance obligation, or
- c) Variable consideration in the form of a sales-based or usage-based royalty promised in exchange for a license of intellectual property.

Contract balances

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

Contract liabilities : A contract liability arises when there is excess billing over the revenue recognized.

The below table discloses the movement in balances of contract liabilities :

	For the year ended 31 March 2025	For the year ended 31 March 2024
Balance as at beginning of the year	2,208	2,266
Additional amounts billed but not recognized as revenue	3,754	1,543
Deduction on account of revenues recognized during the year	(1,722)	(1,601)
Balance as at end of the year	4,240	2,208

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

The below table discloses the movement in balance of deferred contract cost:

	For the year ended 31 March 2025	For the year ended 31 March 2024
Balance as at beginning of the year	2,234	2,293
Additional cost capitalised during the year	693	33
Deduction on account of cost amortised during the year	(63)	(92)
Balance as at end of the year	2,864	2,234

HCL Japan Limited**Notes to financial statements for the year ended 31 March 2025**

(All amount in millions of JPY, except share data and as stated otherwise)

3.17 Other income

	For the year ended 31 March 2025	For the year ended 31 March 2024
Interest income		
- Others	36	15
Exchange differences (net)	-	427
	36	442

3.18 Changes in inventories of stock in trade

	For the year ended 31 March 2025	For the year ended 31 March 2024
Opening stock	21	(31)
Less: Closing stock	6	21
	15	(52)

3.19 Employee benefits expense

	For the year ended 31 March 2025	For the year ended 31 March 2024
Salaries, wages and bonus	5,788	4,991
Contribution to provident fund and other employee benefits	857	692
Staff welfare expenses	12	9
Employee stock compensation expense	4	10
	6,661	5,702

HCL Technologies Limited ('HCLT'), the ultimate parent company has provided equity-based incentives under RSU Plans to eligible employees of HCLT and its subsidiaries which are administered by the Nomination and Remuneration Committee (NRC) of the Company through a controlled Trust. The restricted stock units (RSUs) granted under the plans entitles the holder to one equity share of the Company at an exercise price, which is approved by the Nomination and Remuneration Committee.

Share based payments to employees" represents reimbursement of cost to HCLT, towards RSUs granted by HCLT to the employees of the Company. The fair value of these RSUs is determined using the Black-Scholes Model for RSUs with time and non-market performance based vesting conditions."The Company reimburses for the actual cost of treasury shares to HCLT upon exercise. Excess cost over the fair value is treated as a reduction in equity (other equity).

3.20 Finance cost

	For the year ended 31 March 2025	For the year ended 31 March 2024
Interest		
-on loans from banks	2	-
-on the lease liability	8	10
Bank charges	6	6
	16	16

3.21 Other expenses

	For the year ended 31 March 2025	For the year ended 31 March 2024
Power and fuel	4	5
Insurance	15	13
Repairs and maintenance	42	16
Communication costs	37	37
Travel and conveyance	84	84
Business promotion	139	171
Legal and professional charges	381	250
Software tools	27	-
Printing and stationery	5	3
Rates and taxes	6	6
Rent	7	-
Recruitment, training and development	89	81
Provision for doubtful debts/ bad debts written off/net	-	4
Exchange differences (net)	25	-
Miscellaneous expenses	6	10
	867	680

HCL Japan Limited**Notes to financial statements for the year ended 31 March 2025**

(All amount in millions of JPY, except share data and as stated otherwise)

3.22 Income taxes

	For the year ended 31 March 2025	For the year ended 31 March 2024
Current income tax charge	518	429
Deferred tax charge	(92)	12
	426	441

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

	For the year ended 31 March 2025	For the year ended 31 March 2024
Profit before tax	1,436	1,197
Statutory tax rate	37.90%	38.77%
Expected tax expense	544	464
Deduction for business and enterprise tax paid	(52)	(38)
Non-deductible expenses	13	13
Correction of prior year provision	(9)	2
Others(net)	(70)	-
Total taxes	426	441
Effective income tax rate	29.55%	36.86%

Components of deferred tax assets and liabilities as on 31 March 2025

	Opening balance	Recognized in profit and loss	Amount in (JPY) Closing balance
Deferred tax assets			
Provision for doubtful debts	8	-	8
Accrued employee costs	204	91	295
Depreciation and amortization	39	6	45
Provision for expenses	76	10	86
Others	10	(4)	6
Lease liability	60	204	264
Net deferred tax assets (A)	397	307	704
Deferred tax liabilities			
Intangibles	295	10	305
Right-of-use assets	64	205	269
Gross deferred tax liabilities (B)	359	215	574
Net deferred tax assets (A-B)	38	92	130

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

	Opening balance	Recognized in profit and loss	Amount in (JPY) Closing balance
Deferred tax assets			
Provision for doubtful debts	7	1	8
Accrued employee costs	186	18	204
Amortization of Intangibles	1	(1)	-
Depreciation and amortization	32	7	39
Provision for Expenses	50	26	76
Others	6	4	10
Lease liability	4	56	60
Net deferred tax assets (A)	286	111	397
Deferred tax liabilities			
Intangibles	236	59	295
Right-of-use assets	-	64	64
Gross deferred tax liabilities (B)	236	123	359
Net deferred tax assets (A-B)	50	(12)	38

HCL Japan Limited
Notes to financial statements for the year ended 31 March 2025
(All amount in millions of JPY, except share data and as stated otherwise)

3.23 Earnings Per Share (EPS)

	For the year ended 31 March 2025	For the year ended 31 March 2024
	(JPY)	(JPY)
Net profit as per Statement of profit and loss for computation of EPS	1,010	756
Weighted average number of equity shares outstanding in calculating basic and dilutive EPS	4,893	4,400
Nominal value of equity shares	50,000	50,000
Earnings per equity share		
- Basic and Diluted	206,419	171,783

3.24 Leases

(a) Company as a lessee

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

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

	Computer and networking equipment	Buildings	Total
	(JPY)	(JPY)	(JPY)
Balance as at 1 April 2023	13	287	300
Depreciation	(7)	(151)	(158)
Additions	38	-	38
Balance as at 31 March 2024	44	136	180
Balance as at 1 April 2024	44	136	180
Depreciation	(12)	(149)	(161)
Other adjustments	(2)	-	(2)
Additions	3	716	719
Disposals	(1)	-	(1)
Balance as at 31 March 2025	32	703	735

The reconciliation of lease liabilities is as follows:

	For the year ended 31 March 2025	For the year ended 31 March 2024
	(JPY)	(JPY)
Balance as at beginning of the year	248	348
Additions	701	83
Amounts recognized in statement of profit and loss as interest expense	8	10
Payment of lease liabilities	(215)	(193)
Balance as at end of the year	742	248

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

	For the year ended 31 March 2025	For the year ended 31 March 2024
	(JPY)	(JPY)
Within one year	171	185
One to two years	171	35
Two to three years	165	20
Three to five years	290	18
Total lease payments	797	258
Imputed interest	55	10
Total lease liabilities	742	248

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.

(b) Company as a lessor

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

Particulars	Total minimum lease payments receivable	Interest included in minimum lease payments receivable	Present value of minimum lease payments receivable
31 March 2025			
Not later than one year	144	12	132
Later than one year but not later than five years	223	10	213
	367	22	345
31 March 2024			
Not later than one year	163	9	154
Later than one year but not later than five years	204	9	195
	367	18	349

HCL Japan Limited**Notes to financial statements for the year ended 31 March 2025**

(All amount in millions of JPY, except share data and as stated otherwise)

3.25 Segment reporting

Operating segments are defined as components of an enterprise for which discrete financial information is available and whose 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. 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	For the year ended	For the year ended
	31 March 2025	31 March 2024
	(JPY)	(JPY)
United State of America (USA)	951	1,152
Europe	1,060	1,074
India	753	795
Japan	25,901	20,774
Others	33	296
Total	28,698	24,091

3.26 Commitments

Particulars	As at	
	31 March 2025	31 March 2024
	(JPY)	(JPY)
Capital Commitments		
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	78	3
	78	3

3.27 Financial Instrument**3.27(a) Financial assets and liabilities**

The carrying value of financial instruments by categories as at 31 March 2025 is as follows:

Particulars	Amortized cost	Total carrying value
	(JPY)	(JPY)
Financial assets		
Trade receivables	9,514	9,514
Cash and cash equivalents	1,589	1,589
Others	497	497
Total	11,600	11,600
Financial liabilities		
Trade payables	8,005	8,005
Lease Liabilities	742	742
Borrowings	461	461
Others	2,129	2,129
Total	11,337	11,337

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

Particulars	Amortized cost	Total carrying value
	(JPY)	(JPY)
Financial assets		
Trade receivables	5,564	5,564
Cash and cash equivalents	3,277	3,277
Loans	49	49
Others	511	511
Total	9,401	9,401
Financial liabilities		
Trade payables	5,896	5,896
Lease Liabilities	248	248
Others	401	401
Total	6,545	6,545

HCL Japan Limited

Notes to financial statements for the year ended 31 March 2025

(All amount in millions of JPY, except share data and as stated otherwise)

3.27 Financial instrument (continued)

(b) Financial risk management

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

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

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 functional currency. A significant portion of the Company's revenue is in US Dollar while a large portion of costs are in JPY. The fluctuation in exchange rates in respect to JPY may have potential impact on the profit and loss and other comprehensive income and equity.

Appreciation / depreciation of 5% 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 96,533 millions (31st March 2024, JPY 272 millions) for the year ended 31 March 2025.

The rate sensitivity is calculated by aggregation of the net foreign exchange rate exposure and a simultaneous parallel foreign exchange rates shift of all the currencies by 5% against the respective functional currencies of the Company. The sensitivity analysis presented above may not be representative of the actual change.

Non-derivative foreign currency exposure as of 31 March 2025 and 31 March 2024 in major currencies is as below:

	Financial assets		Financial liabilities	
	31 March 2025	31 March 2024	31 March 2025	31 March 2024
	(JPY)	(JPY)	(JPY)	(JPY)
EUR/JPY	6	6	25	6
RUB/JPY	1	-	8	-
USD/JPY	3,977	37,302	533	31,686
INR/JPY	24	19	29	41
BRL/JPY	-	-	-	432

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not significantly exposed to interest rate risk.

Credit risk

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

The allowance for lifetime expected credit loss on customer balances is as below:

	31 March 2025	31 March 2024
Balance at the beginning of the year	21	17
Additional provision during the year	-	4
Balance at the end of the year	21	21

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 March 2025					
Trade payables	8,005	-	-	-	8,005
Lease liabilities	150	155	155	282	742
Borrowings	461	-	-	-	461
Other financial liabilities	2,120	9	-	-	2,129
	10,736	164	155	282	11,337
As at 31 March 2024					
Trade payables	5,896	-	-	-	5,896
Lease liabilities	179	33	36	-	248
Other financial liabilities	401	-	-	-	401
Total	6,476	33	36	-	6,545

HCL Japan Limited

Notes to financial statements for the year ended 31 March 2025

(All amount in millions of JPY, except share data and as stated otherwise)

3.28 Related party transactions

a) Related parties where control exists

HCL Technologies Limited (Ultimate holding company)

HCL Technologies UK Limited (Holding company)

b) Related parties with whom transactions (including outstanding balances) have taken during the year

HCL Technologies Limited (Ultimate holding company)

HCL Technologies UK Limited (Holding company)

Fellow Subsidiaries

C3i Europe Eood

C3i Japan GK

C3i Services &Technologies (Dalian) Co., Limited

Filial Espanola De HCL Technoloiges, S.L.(HCL Spain)

HCL (Brazil) Tecnologia Da Informacao EIRELI

HCL (Ireland) Information Systems Limited

HCL America Inc.

HCL America Solutions Inc.

HCL Argentina s.a.

HCL Asia Pacific Pte Limited

HCL Australia Services Pty. Limited

HCL Axon Solutions (Shanghai) Co., Limited

HCL Bermuda Limited

HCL Canada Inc. (Fy HCL Axon Technologies Inc.)

HCL Guatemala, Sociedad Anonima

HCL Hong Kong SAR Limited, Hong Kong

HCL Technologies Starschema Kft

HCL Istanbul Bilisim Teknolojileri Limited sirketi

HCL Latin America Holding LLC

HCL Muscat Technologies L.L.C

HCL Poland Sp.z.o.o.

HCL Saudi Arabia LLC

HCL Singapore Pte. Limited

HCL Tech Costa Rica SRL

HCL Tech Slovakia

HCL Technologies (PTY) Limited. (Fy HCL Axon PTY Limited.)

HCL Technologies (Shanghai) Limited

HCL Technologies (Taiwan) Limited.

HCL Technologies (Thailand) Limited.

HCL Technologies (Vietnam) Company Limited

Sankalp Semiconductor Private Limited

Telrx Marketing, Inc.

HCL (New Zealand) Limited

HCL Technologies Angola (SU), LDA.

HCL Technologies Austria GmbH

HCL Technologies Belgium BVBA

HCL Technologies Bulgaria EOOD

HCL Technologies BV

HCL Technologies Colombia SAS

HCL Technologies Corporate Services Limited

HCL Technologies Czech Republic s.r.o.

HCL Technologies Denmark ApS

HCL Technologies Finland Oy

HCL Technologies France

HCL Technologies Germany GmbH

HCL Technologies Greece Single Member P.C.

HCL Technologies Italy S.p.A.

HCL Technologies Lanka (Private) Limited

HCL Technologies Limited

HCL Technologies Luxembourg S.a.r.l

HCL Technologies Malaysia SDN BHD (Fy HCLAxonMalaysiaSDNBHD)

HCL Technologies Mexico

HCL Technologies Middle East FZ- LLC

HCL Technologies Norway AS

HCL Technologies Philippines Inc

HCL Technologies Romania s.r.l.

HCL Technologies Sollutions GmBh (fly Axon Soltns Schz GmbH)

HCL Technologies South Africa (Proprietary) Limited

HCL Technologies Sweden (IOMC)

HCL Technologies Trinidad And Tobago Limited

HCL Technologies UK Limited

HCL Technologies Vietnam Company Limited

PT. HCL Technologies Indonesia

HCL Technologies Beijing Co., Ltd

HCL Technologies Egypt Ltd

HCL Japan Limited

Notes to financial statements for the year ended 31 March 2025

(All amount in millions of JPY, except share data and as stated otherwise)

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

	Revenue	Operating and other expenses
For the year ended 31 March 2025		
Ultimate holding company	746	10,792
Holding company	30	5
Fellow Subsidiaries	928	6,472
Total	1,704	17,269
For the year ended 31 March 2024		
Ultimate holding company	811	10,932
Holding company	93	50
Fellow Subsidiaries	1,231	4,226
Total	2,135	15,208

d) Outstanding balances

	Trade receivables & other receivables	Advances to suppliers	Advance received & other payables	Unbilled receivables	Interest payable short term loans	Trade payables & other payables	Unbilled and accruals	Deferred contract cost	Short term loan
As at 31 March 2025									
Ultimate holding company	197	-	4	114	-	572	4,422	2,853	-
Holding company	6	-	-	3	-	-	-	-	-
Fellow Subsidiaries	403	-	-	237	-	107	1,875	-	-
Total	606	-	4	354	-	679	6,297	2,853	-
As at 31 March 2024									
Ultimate holding company	57	-	19	63	-	690	3,179	2,221	-
Holding company	24	-	-	-	-	2	-	-	-
Fellow Subsidiaries	377	19	-	12	10	707	622	-	49
Total	458	19	19	75	10	1,399	3,801	2,221	49

HCL Japan Limited

Notes to financial statements for the year ended 31 March 2025

(All amount in millions of JPY, except share data and as stated otherwise)

3.29 Ratios

	Numerator	Denominator	Units	Year Ended		% Variance
				31 March 2025	31 March 2024	
Current Ratio	Current Assets	Current Liabilities	Times	0.91	1.21	-25.00%
Debt Equity Ratio	Total Debt (refer note 1 below)	Total Equity	Times	0.29	0.08	259.96%
Debt Service Coverage Ratio	Earnings available for Debt Service (refer note 2 below)	Debt Service (refer note 3 below)	Times	7.15	7.82	-8.58%
Return on Equity Ratio	Profit for the year	Average total Equity	%	27.66%	27.69%	-0.12%
Inventory Turnover Ratio	Cost of goods sold (refer note 4 below)	Average Inventories	Times	11.83	8.26	43.20%
Trade Receivables Turnover Ratio	Revenue from operations	Average trade receivables	Times	3.81	4.70	-18.95%
Trade Payables Turnover Ratio	Net credit purchases (refer note 5 below)	Average Trade Payables	Times	2.88	2.74	5.09%
Net Capital Turnover Ratio	Revenue from operations	Working Capital (refer note 6 below)	Times	(20.02)	11.68	-271.38%
Net profit ratio	Profit for the year	Revenue from operations	%	3.52%	3.14%	12.11%
Return on capital employed	Earnings before interest and taxes	Capital employed (refer note 7 below)	%	26.76%	38.84%	-31.10%
Return on investment	Income generated from invested funds	Time weighted average investments	%	NA	NA	NA

Notes:-

- (1) Total debts consists of lease liabilities and borrowings
- (2) Earning available for debt services = Profit for the year + depreciation, amortisation and impairment + interest + loss on sale of property, plant and equipments + Provision for doubtful debts + share based payment to employees + non cash charges
- (3) Debt service = Interest + payment for lease liabilities + principal repayments
- (4) Cost of goods sold includes purchase of stock in trade and change in inventories of stock in trade
- (5) Net credit purchase includes purchase of stock-in-trade, change in inventories of stock-in-trade, outsourcing costs and staff welfare expenses and other expenses.
- (6) Working capital = current assets - current liabilities
- (7) Capital employed = Tangible net worth includes acquired goodwill and other intangibles assets + total debt - deferred tax assets
- (8) 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 decreased primarily on account of significant increase in current liabilities.
- (2) Debt equity ratio has been increased majorly an account of addition in the lease liability of the entity as compared to FY 23-24.
- (3) Inventory turnover ratio has increased on account of decrease in closing stock of the entity.
- (4) Net capital turnover ratio has been decreased as compared to FY 2023-24 on account of significant increase in current liabilities in current year.
- (5) Return on capital employed has been decreased due to increase in total debt.

3.30 No funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Company to or in any other person(s) or entity(ies), including foreign entities ("Intermediaries") with the understanding, whether recorded in writing or otherwise, that the Intermediary shall lend or invest in party identified by or on behalf of the Company (Ultimate Beneficiaries). The Company has not received any fund from any party(s) (Funding Party) with the understanding that the Company shall whether, directly or indirectly lend or invest in other persons or entities identified by or on behalf of the Company ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

3.31 Subsequent event

The Board of Directors at its meeting held on 30 June 2025 has recommended a final dividend of JPY 168,093 per share for the financials year 2024-25 which is subject to the approval by the shareholders at the Annual General Meeting.

The Company has evaluated all the subsequent events through 30 June 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.

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

As per our report of even date attached

For BSR & Co. LLP

Chartered Accountants

Firm Registration Number : 101248W/W-100022

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Prince Sharma

Partner

Membership Number: 521307

Gurugram, India

Date: 30 June 2025

For and on behalf of the Board of Directors

of HCL Japan Limited

Signed by:

Masayuki Nakayama

Masayuki Nakayama

Director

Shiv Kumar Walia

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Shiv Kumar Walia

Director

Place: Japan

Date: 30 June 2025

Place: Noida, U.P.

Date: 30 June 2025