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2 May 2017

Koji Ikeda



Member of JICPA 3018268

Audit Report

To CA Deepak Kalera
Finance Controller
Quick Heal Technologies Japan KK.

Dear Sirs,

In accordance with your instructions, we have audited the accompanying financial statements of Quick Heal Technologies Japan KK. , as of and for the year ended 31 March 2017.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance that the accompanying financial statements are free from material misstatement. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accompanying financial statements. It also includes an assessment of the significant estimates and judgements made by management in the preparation of the accompanying financial statements, and of whether the accounting policies are consistently applied.

In our opinion, the accompanying financial statements referred to above presents fairly, in all material respects, the financial position of the company as of 31 March 2017 and the results of its operations for the year then ended in accordance with generally accepted accounting principles in Japan.

Quick Heal Technologies Japan KK.

Financial Statements

March 31, 2017

Auditor; Koji Ikeda (member of JICPA No.3018268)



Koji Ikeda Accounting Firm

Quick Heal Technologies Japan KK**Balance Sheet as at March 31, 2017**

	Notes	As at March 31, 2017 (YEN)	As at March 31, 2016 (YEN)
Equity and liabilities			
Shareholders' funds			
Share capital	3	180,000,000	90,350,000
Reserves and surplus	4	(134,100,738)	(79,688,162)
		<u>45,899,262</u>	<u>10,661,838</u>
Current liabilities			
Short Term Borrowings	5	-	12,341,972
Trade payables	6	2,760,753	44,304,613
Other current liabilities	7	2,677,109	1,300,987
		<u>5,437,862</u>	<u>57,947,572</u>
Total		<u>51,337,124</u>	<u>68,609,410</u>
Assets			
Non-current assets			
Fixed assets			
Tangible assets	8	599,146	469,599
Intangible assets	8	471,172	-
Capital work-in-progress		-	632,980
		<u>1,070,318</u>	<u>1,102,579</u>
Current assets			
Trade receivables	10	1,739,719	10,026,664
Inventories	11	27,181,733	29,785,314
Cash and bank balances	12	18,140,998	26,633,875
Short-term loans and advances	9	916,466	1,060,978
Other current assets	13	2,287,890	-
		<u>50,266,806</u>	<u>67,506,831</u>
Total		<u>51,337,124</u>	<u>68,609,410</u>



Quick Heal Technologies Japan KK**Statement of profit and loss for the period ended March 31, 2017**

	Notes	As at March 31, 2017 (YEN)	As at March 31, 2016 (YEN)
Income			
Revenue from operations (net)	14	13,852,665	65,462,751
Other income	15	2,707,725	1,832,042
Total revenue		16,560,390	67,294,793
Expenses			
Cost of raw materials consumed	16(a)	6,198,056	1,621,182
Purchase of Security software products	16(b)	8,298,775	57,345,288
(Increase)/decrease in Security software products	16(c)	4,005,183	(5,669,838)
Employee benefit expenses	17	37,522,489	26,909,833
Depreciation and amortisation expense	18	232,621	77,100
Operation and other expenses	19	13,715,843	12,492,860
Total		69,972,966	92,776,424
Loss before tax		(53,412,576)	(25,481,631)
Tax expenses			
Current tax		1,000,000	180,000
Total tax expense		1,000,000	180,000
Loss for the year		(54,412,576)	(25,661,631)
Earnings per equity share			
[nominal value of share Yen 50,000 (March 31, 2016: Yen 50,000)]	17		
Basic and diluted		(19,893)	(14,201)



Quick Heal Technologies Japan KK

Cash flow statement for the Period ended March 31, 2017

	As at March 31, 2017 (YEN)	As at March 31, 2016 (YEN)
A. Cash flow from operating activities		
Profit before tax	(53,412,576)	(25,481,631)
Adjustment to reconcile profit before tax to net cash flows		
Depreciation and amortization expense	232,621	77,100
Interest income	-	(2,822)
Operating profit before working capital changes	(53,179,955)	(25,407,353)
Movements in working capital :		
Decrease / (Increase) in trade receivable	8,286,945	(2,611,517)
Decrease / (Increase) in inventories	2,603,581	(7,143,568)
(Increase) in short term loans and advances	144,512	(14,518)
(Increase) in other current assets	(2,287,890)	-
(Decrease) / Increase in trade payables	(41,543,860)	9,749,878
(Decrease) in other current liabilities	1,376,122	(3,512,009)
Cash generated from operations	(84,600,545)	(28,939,087)
Direct taxes paid (net of refunds)	(1,000,000)	(180,000)
Net cash used from operating activities (A)	(85,600,545)	(29,119,087)
Cash flows from investing activities		
Purchase of tangible, intangible assets including	(200,360)	(372,880)
Interest received	-	2,822
Net cash used in investing activities (B)	(200,360)	(370,058)
Cash flows from financing activities		
Issue of Equity Shares	89,650,000	47,750,000
Proceeds from Short Term Borrowings	(12,341,972)	1,079,672
Net cash from in financing activities (C)	77,308,028	48,829,672
Net increase / (decrease) in cash and cash equivalents (A + B + C)	(8,492,877)	19,340,527
Cash and cash equivalents at the beginning of the year	26,633,875	7,293,348
Cash and cash equivalents at the end of the year	18,140,998	26,633,875
Components of cash and cash equivalents		
Cash on hand	7,082	37,384
Balances with banks		
On current account	18,133,916	26,596,491
Total cash and cash equivalent	18,140,998	26,633,875



Quick Heal Technologies Japan KK**Notes forming part of financial statements****3. Share capital**

	March 31, 2017	March 31, 2016
	(YEN)	(YEN)
Authorized shares		
4000 (Previous year : 4000) Ordinary Equity Shares of JPY 50,000 each.	200,000,000	200,000,000
	200,000,000	200,000,000
Issued, subscribed and fully paid-up share capital		
2,910 (Previous year : 1,807) Equity Shares of JPY 50,000 each fully paid	180,000,000	90,350,000
Total issued, subscribed and fully paid-up share capital	180,000,000	90,350,000

(a) Reconciliation of equity shares outstanding at the beginning and at the end of the reporting year

	March 31, 2017		March 31, 2016	
	No.	(YEN)	No.	(YEN)
At the beginning of the year				
- Ordinary equity Shares	1,807	90,350,000	852	42,600,000
Issued during the year				
- Ordinary equity Shares	1,793	89,650,000	955	47,750,000
Outstanding at the end of the year	3,600	180,000,000	1,807	90,350,000

(b) Terms / rights attached to equity shares

The Company has only one type of equity shares having par value of JPY 50,000 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividend in Japanese Yen. The dividend proposed by Board of Directors is subject to approval of the shareholders in

Ordinary equity shares

In the event of liquidation of the Company, the holders of ordinary equity shares will be entitled to receive remaining assets of the Company.

(c) Shares held by holding / ultimate holding company and / or their subsidiaries/ associates

None

(d) Details of shareholders holding more than 5% shares in the company

	March 31, 2017		March 31, 2016	
	No.	% holding	No.	% holding
Equity shares of Yen 50,000 each fully paid up				
Ordinary equity shares				
Quick Heal Technologies Limited	3,600	100%	1,807	100%

The shareholding information has been extracted from the records of the company including register of shareholders / members and is based on legal ownership of shares.



Quick Heal Technologies Japan KK**Notes forming part of financial statements****4. Reserves and surplus**

	March 31, 2017	March 31, 2016
	(YEN)	(YEN)
Surplus in the statement of profit and loss	(79,688,162)	(54,026,531)
Balance as per the last financial statements	(54,412,576)	(25,661,631)
Add : profit for the year	-	-
Less : appropriations	-	-
- Interim dividend	-	-
- Tax on dividend	-	-
- Transfer to general reserve	(134,100,738)	(79,688,162)
Net surplus in the statement of profit and loss	(134,100,738)	(79,688,162)

5. Short term Borrowings

	March 31, 2017	March 31, 2016
	(YEN)	(YEN)
Unsecured Loan	-	12,341,972
	-	12,341,972

6. Trade payable

	March 31, 2017	March 31, 2016
	(YEN)	(YEN)
Trade payable	2,760,753	44,304,613
	2,760,753	44,304,613

7. Other liabilities

	March 31, 2017	March 31, 2016
	(YEN)	(YEN)
Provision for taxation	1,000,000	180,000
TDS payable	7,401	7,146
Sales tax payable	737,905	-
Other liabilities	931,803	1,113,841
	2,677,109	1,300,987



Quick Heal Technologies Japan KK

Notes forming part of financial statements

8. Tangible assets	(In YEN)						
	Office equipments	Furniture and fixtures	Computers	Total tangible assets	Patent	Total intangible assets	Total fixed assets
Cost							
At April 1, 2016	292,411	344,233	-	636,644	-	-	636,644
Additions	47,480	-	152,880	200,360	632,980	632,980	833,340
Disposals	-	-	-	-	-	-	-
At March 31, 2017	339,891	344,233	152,880	837,004	632,980	632,980	1,469,984
Depreciation							
At April 1, 2016	84,261	82,784	-	167,045	-	-	167,045
Charge for the year	32,496	31,374	6,943	70,813	161,808	161,808	232,621
Disposals	-	-	-	-	-	-	-
At March 31, 2017	116,757	114,158	6,943	237,858	161,808	161,808	399,666
Net Block							
At April 1, 2016	208,150	261,449	-	469,599	-	-	469,599
At March 31, 2017	223,134	230,075	145,937	599,146	471,172	471,172	1,070,318




Quick Heal Technologies Japan KK

Notes forming part of financial statements

9. Short term loans and advances

		Current	
		March 31, 2017	March 31, 2016
		(YEN)	(YEN)
Security deposits			
Unsecured, considered good		732,160	872,160
	(c)	<u>732,160</u>	<u>872,160</u>
Advances recoverable in cash or kind			
Unsecured, considered good		-	-
	(d)	<u>-</u>	<u>-</u>
Other loans and advances			
Advance income tax (net of provision for tax)		-	-
Prepaid expenses		184,306	188,818
Balances with customs and excise authorities		-	-
	(e)	<u>184,306</u>	<u>188,818</u>
		<u>916,466</u>	<u>1,060,978</u>



Quick Heal Technologies Japan KK**Notes forming part of financial statements****10. Trade receivables**

	March 31, 2017 (YEN)	March 31, 2016 (YEN)
Outstanding for a period exceeding six months from the date they are due for payment		
Unsecured, considered good	-	1,393,661
Unsecured, considered doubtful	-	-
	-	1,393,661
Less : Provision for doubtful receivables	-	-
	-	1,393,661
Others		
Unsecured, considered good	1,739,719	8,633,003
	1,739,719	8,633,003
	1,739,719	10,026,664

11. Inventories (valued at lower of cost and net realisable value)

	March 31, 2017 (YEN)	March 31, 2016 (YEN)
Raw materials-Internet security devices	2,927,096	1,525,494
Finished goods- Internet security softwares	24,254,637	28,259,819
	27,181,733	29,785,314

12. Cash and bank balances

	March 31, 2017 (YEN)	March 31, 2016 (YEN)
Cash and cash equivalents		
Balances with banks:		
On current account	18,133,916	26,596,491
Deposits with original maturity of less than three months	-	-
Cash on hand	7,082	37,384
	18,140,998	26,633,875

13. Other current assets

	March 31, 2017 (YEN)	March 31, 2016 (YEN)
Other current assets		
Other assets	2,287,890	-
	2,287,890	-



Quick Heal Technologies Japan KK**Notes forming part of financial statements****14. Revenue from operations (net)**

	March 31, 2017 (YEN)	March 31, 2016 (YEN)
Revenue from operations		
Sale of Security software products	13,852,665	65,462,751
Sale of software support services	-	-
Revenue from operations (gross)	13,852,665	65,462,751
Less: Excise duty	-	-
Revenue from operations (net)	13,852,665	65,462,751

	March 31, 2017 (YEN)	March 31, 2016 (YEN)
Details of products sold		
Security software products	6,922,665	11,473,951
Internet security devices- Unified Threat Management (UTM)	6,930,000	53,988,800
	13,852,665	65,462,751

	March 31, 2017 (YEN)	March 31, 2016 (YEN)
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15. Other income

	March 31, 2017 (YEN)	March 31, 2016 (YEN)
Interest income	-	2,822
Foreign exchange gains (net)	1,266,986	1,317,057
Miscellaneous income	1,440,739	512,163
	2,707,725	1,832,042

16. Software licenses, hardware and material costs

	March 31, 2017 (YEN)	March 31, 2016 (YEN)
16(a) Raw materials consumed		
Raw materials consumed	6,198,056	1,621,182
16(b) Purchase of Security software products		
Security software products	8,298,775	57,345,288
16(c) (Increase)/decrease in Security software products		
Opening finished goods	28,259,819	22,589,981
Less: Closing finished goods	24,254,637	28,259,819
(Increase)/decrease in inventory	4,005,183	(5,669,838)
	18,502,013	53,296,631

Details of raw materials consumed

	March 31, 2017 (YEN)	March 31, 2016 (YEN)
Packing & Other Material	6,198,056	1,621,182
	6,198,056	1,621,182

Details of inventory

	March 31, 2017 (YEN)	March 31, 2016 (YEN)
Raw materials		
Packing Material	2,927,096	1,525,494
	2,927,096	1,525,494

	March 31, 2017 (YEN)	March 31, 2016 (YEN)
Finished goods		
Security softwares products	24,254,637	28,259,819
	24,254,637	28,259,819



Quick Heal Technologies Japan KK**Notes forming part of financial statements****17. Employee benefit expenses**

	March 31, 2017 (YEN)	March 31, 2016 (YEN)
Salaries, wages and bonus	37,377,520	26,096,643
Staff welfare expenses	144,969	813,190
	37,522,489	26,909,833

18. Depreciation and amortization expense

	March 31, 2017 (YEN)	March 31, 2016 (YEN)
Depreciation on tangible assets	232,621	77,100
	232,621	77,100

19. Operation and other expenses

	March 31, 2017 (YEN)	March 31, 2016 (YEN)
Bank Charges	176,399	171,572
Business promotion expenses	648,701	642,449
Communication costs	643,189	530,786
Foreign exchange loss (net)	-	-
Insurance	4,512	4,512
Interest on Loan	70,724	671,339
Legal and professional fees	5,149,103	3,176,066
Recruitment fees	1,857,600	-
Miscellaneous expenses	183,342	109,128
Office expenses	44,371	132,549
Payment to statutory auditor (refer details below)	142,275	84,445
Postage and courier expenses	48,543	100,351
Power and fuel	419,102	356,392
Printing and stationery	319,094	384,299
Rates and taxes	262,486	14,500
Rent	2,800,766	3,786,786
Repairs and maintenance - Others	-	96,100
Software Expenses	-	25,920
Translation Expenses	-	1,221,774
Security deposits write off	150,000	-
Traveling and conveyance	795,636	983,892
	13,715,843	12,492,860

Payment to auditor

	March 31, 2017 (YEN)	March 31, 2016 (YEN)
As auditor		
-Audit fees	142,275	84,445
- Other services	-	-
-Reimbursement of expenses	-	-
	142,275	84,445



Quick Heal Technologies Japan KK

Notes forming part of financial statements

17. Earnings per share

		March 31, 2017	March 31, 2016
<u>Numerator for Basic and Diluted EPS</u>			
Net Profit after tax (In Yen)	(A)	(54,412,576)	(25,661,631)
<u>Denominator for Basic and diluted EPS</u>			
Weighted average number of equity shares	(B)	2,735	1,807
Basic and diluted earning per share of face value of Yen 50,000 each (In Yen)	(A/B)	(19,893)	(14,201)



Notes forming part of financial statements

1. Corporate information

Quick Heal Technologies Japan KK (the "Company") is a wholly owned foreign subsidiary Company domiciled in Japan and incorporated in April 2012. The Company is engaged in the business of providing Internet Security solutions. The Company caters to both domestic markets. The Company is wholly owned subsidiary of Quick Heal Technologies Limited

2. Basis of preparation

The condensed financial statements of the Company have been prepared in accordance with the generally accepted accounting principles in Japan (JGAAP). The condensed financial statements have been prepared on an accrual basis under the historical cost convention.

The condensed unconsolidated financial statements include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at March 31, 2017.

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

2.1 Summary of significant accounting policies

(a) Use of estimates

The preparation of the condensed unconsolidated financial statements in conformity with JGAAP requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and disclosure of contingent liabilities at the end of reporting period. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

(b) Tangible fixed assets

Tangible fixed assets are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. The cost comprises purchase price, borrowing costs if capitalization criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discounts and rebates are deducted in arriving at the purchase price. Capital work-in-progress includes cost of fixed assets that are not ready to be put to use.

Subsequent expenditure related to an item of fixed asset is added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard of performance. All other expenses on existing fixed assets, including day-to-day repair and 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 de-recognition of fixed assets 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.



Notes forming part of financial statements**(c) Depreciation on tangible fixed assets**

Depreciation on fixed assets is calculated on a written down value (WDV) basis using the rates arrived at based on the useful lives estimated by the management. The Company has used the following rates to provide depreciation on its fixed assets. The Company has used the following rates to provide depreciation on its fixed assets.

Type of assets	Rates
Office equipments	14.20-18.50%
Furniture and Fixtures	12.00%
Computers	21.90%

Patents and trademarks are being amortized over the period of ten years on straight line basis.

(d) Impairment of tangible assets

The carrying amounts of assets are reviewed at each Balance Sheet if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the Company makes a reasonable estimate of value in use.

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) net selling price and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining net selling price, recent market transactions are taken into account, if transactions can be identified, an appropriate valuation model is used.

The Company bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Company's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the Statement of Profit and Loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

(e) Leases

Where the Company is a lessee

Operating lease:

Leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognized as an expense in the Statement of Profit and Loss on a straight-line basis over the lease term.



Notes forming part of financial statements

(f) Inventories

Raw materials are valued at lower of cost and net realizable value. However, materials and other items held for use in the production of inventories is not written down below cost of the finished product in which they will be incorporated are expected to be sold at or above cost. Cost of raw material is determined on a first-in-first-out basis.

Finished goods are valued at lower of cost and net realizable value. Cost includes direct material and labour and a proportion of manufacturing overhead based on normal operating capacity. Cost of finished goods includes excise duty, whenever applicable.

Traded goods are valued at lower of cost and net realizable value. Cost included cost of purchase and other costs incurred in bringing the inventories to present location and condition. Cost is determined on first-in-first-out basis.

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.

(g) Revenue recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Sale of internet security products

Revenue from sale of internet security products is recognized when all the significant risks and rewards of ownership of the goods have been passed to the buyer, usually on dispatch of the goods to its customers.

(h) Foreign currency translation

Foreign currency transactions and balances

(i) Initial recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

(ii) Conversion

Foreign currency monetary items are re-translated using the exchange rate prevailing at the reporting date. Non-monetary items, which are measured in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction. Non-monetary items, which are measured at fair value or other similar valuation denominated in a foreign currency, are translated using the exchange rates at the date when the values were determined.

(iii) Exchange differences

Exchange differences arising on conversion / settlement of foreign currency monetary items are recognized as income or expenses in the year in which they arise.

(i) Income taxes

Tax expense comprises current and deferred tax. Current income-tax is measured at the amount expected to be paid to the tax authorities in accordance with the applicable tax laws enacted in Japan. The tax rates and tax laws used to compute the amount are those that are enacted at the reporting date. Current income tax relating to items recognized directly in equity is recognized in equity and not in the Statement of Profit and Loss.

Deferred income taxes reflect the impact of timing differences between taxable income and accounting income originating during the current year and reversal of timing differences for the earlier years. Deferred tax is measured using the tax rates and the tax laws enacted at the reporting date. Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the Statement of Profit and Loss.



Notes forming part of financial statements

Deferred tax liabilities are recognized for all taxable timing differences. Deferred tax assets are recognized for deductible timing differences only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.

At each reporting date, the Company re-assesses unrecognized deferred tax assets. It recognizes unrecognized deferred tax asset to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realized.

The carrying amount of deferred tax assets are reviewed at each reporting date. The Company writes-down the carrying amount of deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realized. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

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 tax assets and deferred tax liabilities relate to the same taxable entity and the same taxation authority.

(j) Earnings per share (EPS)

Basic earnings per share are calculated by dividing the net profit for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period is adjusted for events such as bonus issue that have changed the number of equity shares outstanding, without a corresponding change in resources.

For the purpose of calculating diluted earnings per share, the net profit for the year attributable to the equity shareholders and the weighted average number of equity shares outstanding during the year, are adjusted for the effects of all dilutive potential equity shares.

(k) Provisions

A provision is recognized when the Company has a present obligation as a result of past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are not discounted to its present value and are determined based on the best estimate required to settle the obligation at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates.

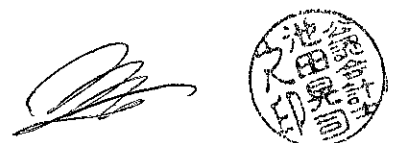
Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate assets but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Profit and Loss net of any reimbursement.

(l) Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

(m) Cash and cash equivalents

Cash and cash equivalents for the purpose of Cash Flow Statement comprise cash at bank and in hand and short term investment with an original maturity period of three months or less.



Quick Heal Technologies Japan KK.**Notes forming part of financial statements****20. Related party disclosures****i. Names of related parties and related party relationship****Related parties where control exists**

Holding Company	Quick Heal Technologies Limited
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Related parties with whom transactions have taken place during the period / year

Fellow Subsidiary	Quick Heal Technologies (MENA) FZE
Key Managerial Personnel	Sanjay Pawar

ii. Transactions with related parties:

Nature of Transactions	Name of the Related Party	Period ended	Period ended
		March 31, 2017 YEN	March 31, 2016 YEN
Purchases of internet security software and Unified Threat Machine	Quick Heal Technologies Limited	8,113,383	9,753,118
Unsecured loan taken	Quick Heal Technologies (MENA) FZE	-	12,328,000
Unsecured loan repaid	Quick Heal Technologies (MENA) FZE	12,328,000	10,136,185
Interest on unsecured loan	Quick Heal Technologies (MENA) FZE	70,724	630,062
Remuneration paid	Sanjay Pawar	10,339,803	8,526,621
Reimbursement of expenses	Sanjay Pawar	517,968	-

iii. Balances outstanding:

		As at	
		March 31, 2017 YEN	March 31, 2016 YEN
Trade payable	Quick Heal Technologies Limited	2,617,758	44,304,613
Advance taken	Quick Heal Technologies Limited	-	567,008
Unsecured Loan	Quick Heal Technologies (MENA) FZE	-	12,341,972
Remuneration payable	Sanjay Pawar	698,940	241,525
Reimbursement of expenses	Sanjay Pawar	20,888	-

21. Leases**Operating lease: Company as lessee**

The Company has entered in to an operating lease on commercial premises. There are no restrictions placed upon the Company by entering into leases.

Details of lease payments

Particulars	Period ended	Period ended
	March 31, 2017 YEN	March 31, 2016 YEN
Lease payments recognized in the statement of profit and loss for the period / year	2,800,766	3,786,786



Notes forming part of financial statements

22. Contingent liabilities

There are no contingent liabilities as on March 31, 2017 (March 31, 2016: Nil)

23. Capital and other commitments

There are no capital and other commitments as on March 31, 2017 (March 31, 2016: Nil)

24. Particulars of unhedged foreign currency exposures as at the Balance Sheet date

	As at March 31, 2017			As at March 31, 2016		
	Foreign Currency	In foreign currency	In JPY	Foreign Currency	In foreign currency	In JPY
Trade payables	INR	-	-	INR	26,166,304	44,304,613
Advances payable	INR	-	-	INR	333,401	567,008
Unsecured loan taken	AED	-	-	AED	7,280,916	12,328,000
Interest Payable	USD	-	-	USD	242,75	367.01

25. Value of imports calculated on CIF basis

Particulars	Period ended March 31, 2017 YEN	Year ended March 31, 2016 YEN
Purchase of software	8,113,383	9,187,593
Purchase of traded goods	185,391	48,157,695

26. Expenditure in foreign currency (accrual basis)

Particulars	Period ended March 31, 2017 YEN	Year ended March 31, 2016 YEN
Interest on unsecured loan	70,724	671,339

27. In absence of virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized, the Company has not recognized the deferred tax asset as at balance sheet date.

28. Previous year's / period's figures

The previous year's financial statements have been audited by the auditors KOJI IKEDA ACCOUNTING FIRM previous year's figures have been regrouped where necessary to conform to current period's classification. Being the first occasion of the Company to prepare the financial statements, the Company has opted not to present statement of profit and loss and cash flow statement for the comparable year-to date period of the immediately preceding financial year

For KOJI IKEDA ACCOUNTING FIRM
CPA
Member of JICPA 3018268

For and on behalf of the Board of Directors of
Quick Heal Technologies Japan KK

Koji Ikeda
Member of JICPA 3018268
Place: Tokyo, Japan.

Kailash Katkar
Director

Date:

2/5/2017

Place: Pune

Date: