

# Giritech A/S

Spotorno Allé 12, 2630, Taastrup

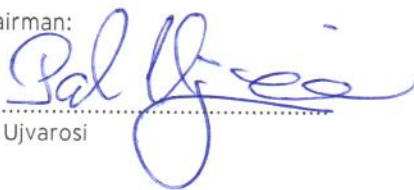
CVR no. 27 24 17 19

## Annual report 2017

Approved at the Company's annual general meeting on 18 June 2018

Chairman:

Pal Ujvarosi



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### Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Giritech A/S for the financial year 1 January - 31 December 2017.

The annual report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2017 and of the results of the Company's operations for the financial year 1 January - 31 December 2017.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the annual general meeting.

Taastrup, 18 June 2018  
Executive Board:



Mogens Mølgaard Jensen  
CEO

Board of Directors:



Ole Finn Nielsen  
Chairman

Nobuo Kamata

Masatoshi Hitomi



Mogens Mølgaard Jensen

## Independent auditor's report

To the shareholders of Giritech A/S

### Opinion

We have audited the financial statements of Giritech A/S for the financial year 1 January - 31 December 2017, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2017 and of the results of the Company's operations for the financial year 1 January - 31 December 2017 in accordance with the Danish Financial Statements Act.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

### Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is 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 in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to 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 ISAs and the additional requirements applicable in Denmark 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 the financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism 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 an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.



## Independent auditor's report

Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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.

### Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 18 June 2018  
ERNST & YOUNG  
Godkendt Revisionspartnerselskab  
CVR no. 30 70 02 28



Ole Hjedemann  
State Authorised Public Accountant  
MNE no.: mne14949



Anders Flymer-Dindler  
State Authorised Public Accountant  
MNE no.: mne35423

## Management's review

### Company details

Name Giritech A/S  
Address, Postal code, City Spotorno Allé 12, 2630, Taastrup

CVR no. 27 24 17 19  
Established 3 July 2003  
Registered office Høje Taastrup  
Financial year 1 January - 31 December

Website [www.solitonsystems.com](http://www.solitonsystems.com)

Board of Directors Ole Finn Nielsen, Chairman  
Nobuo Kamata  
Masatoshi Hitomi  
Mogens Mølgaard Jensen

Executive Board Mogens Mølgaard Jensen, CEO

Auditors Ernst & Young Godkendt Revisionspartnerselskab  
Osvold Helmutshvej 4, P.O. Box 250, 2000 Frederiksberg,  
Denmark

### Management commentary

#### Business review

Giritech A/S develops and sells IT systems and related hardware.

#### Financial review

The income statement for 2017 shows a profit of DKK 1,310 thousand against a profit of DKK 11,022 thousand last year, and the balance sheet at 31 December 2017 shows a negative equity of DKK 516 thousand.

Giritech A/S expects an activity level in 2018 similar to the one in 2017. Further, it is expected to realize a positive EBT in 2018.

The company has current liabilities of DKK 523 thousand and cash totaling to DKK 6 thousand. The company has received a letter of support from the ultimate parent company, Soliton Systems K.K., which confirms that the ultimate parent company will provide all the support that may be needed in order for the company to pay all liabilities as they fall due until 31 December 2018. Based on this it is management's assessment, that there is no going concern issue.

The Company has lost more than 50 % of the share capital and is therefore subject to the rules on capital loss in the Danish Companies Act. Management expects to reestablish the share capital through future earnings or capital injection from the shareholder.

#### Events after the balance sheet date

No major events have occurred after the balance sheet date to this date which would influence the evaluation of this annual report.

## Financial statements 1 January - 31 December

### Income statement

Note	DKK'000	2017	2016
	Gross margin	1,318	10,867
	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	0	:10
	<b>Profit before net financials</b>	1,318	10,857
4	Financial income	1	221
	Financial expenses	-9	-56
	<b>Profit for the year</b>	1,310	11,022
	<b>Recommended appropriation of profit</b>		
	Retained earnings	1,310	11,022
		1,310	11,022

## Financial statements 1 January - 31 December

### Balance sheet

Note	DKK'000	2017	2016
	<b>ASSETS</b>		
	Non-fixed assets		
	Inventories		
	Finished goods and goods for resale	0	552
		0	552
	Receivables		
	Trade receivables	1	421
	Receivables from group enterprises	0	22,577
		1	22,998
	Cash	6	64
	<b>Total non-fixed assets</b>	<b>7</b>	<b>23,614</b>
	<b>TOTAL ASSETS</b>	<b>7</b>	<b>23,614</b>
	<b>EQUITY AND LIABILITIES</b>		
	Equity		
5	Share capital	500	500
	Retained earnings	-1,016	21,760
	<b>Total equity</b>	<b>-516</b>	<b>22,260</b>
	Liabilities other than provisions		
	Current liabilities other than provisions		
	Trade payables	0	10
	Payables to group enterprises	458	0
	Other payables	47	88
	Deferred income	18	1,256
		523	1,354
	<b>Total liabilities other than provisions</b>	<b>523</b>	<b>1,354</b>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>7</b>	<b>23,614</b>

- 1 Accounting policies
- 2 Liquidity and capital resources
- 3 Staff costs
- 6 Contractual obligations and contingencies, etc.
- 7 Related parties



## Financial statements 1 January - 31 December

### Statement of changes in equity

DKK'000	Share capital	Retained earnings	Total
Equity at 1 January 2016	500	10,738	11,238
Transfer through appropriation of profit	0	11,022	11,022
<b>Equity at 1 January 2017</b>	<b>500</b>	<b>21,760</b>	<b>22,260</b>
Transfer through appropriation of profit	0	1,310	1,310
Contribution to group	0	-24,086	-24,086
<b>Equity at 31 December 2017</b>	<b>500</b>	<b>-1,016</b>	<b>-516</b>

The Company has lost more than 50 % of the share capital and is therefore subject to the rules on capital loss in the Danish Companies Act. Management expects to reestablish the share capital through future earnings or capital injection from the shareholder.

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies

The annual report of Giritech A/S for 2017 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

#### Reporting currency

The financial statements are presented in Danish kroner (DKK'000).

#### Income statement

##### Revenue

Licence and royalty income is recognised over the term of the agreement in accordance with the contents of the agreement.

Revenue from time limited software licences is accrued and recognised on a straight line basis over the term of the licence according to the terms of the licence agreement.

Sale of indefinite software licences is recognised as sale of goods whereby revenue is recognised when the most significant rewards and risks have been transferred to the buyer and provided the income can be measured reliably and payment is expected to be received.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

##### Gross margin

The items revenue, other operating income and external expenses have been aggregated into one item in the income statement called gross margin in accordance with section 32 of the Danish Financial Statements Act.

##### Other operating income

Other operating income comprise items of a secondary nature relative to the Company's core activities, including gains on the sale of fixed assets.

##### Other external expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Balance sheet

##### Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

##### Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value. The net realisable value of inventories is calculated as the sales amount less costs of completion and expenses required to effect the sale and is determined taking into account marketability, obsolescence and development in the expected selling price.

##### Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtors' domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

##### Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

##### Cash

Cash comprise cash subject only to minor risks of changes in value.

##### Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

#### Liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan. Financial liabilities also include the capitalised residual lease liability in respect of finance leases.

Other liabilities are measured at net realisable value which is usually nominal value.

#### Deferred income

Deferred income recognised as a liability comprises payments received concerning income in subsequent financial reporting years.



## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 2 Liquidity and capital resources

The going concern of the company is conditional upon contribution of cash, either by way of a share increase or through an extension of the existing credit facilities, or through new lenders. The company has received a letter of support from its parent company which confirms that the parent company will provide all the support that may be needed in order for the company to pay all liabilities as the fall due until 31 December 2018. Based on this it is management's opinion that the financial statements can be prepared on a going concern assumption.

The Company has lost more than 50 % of the share capital and is therefore subject to the rules on capital loss in the Danish Companies Act. Management expects to reestablish the share capital through future earnings or capital injection from the shareholder.

#### 3 Staff costs

The Company has no employees.

DKK'000	2017	2016
4 Financial income		
Interest receivable, group entities	0	199
Other financial income	1	22
	<u>1</u>	<u>221</u>

#### 5 Share capital

Analysis of changes in the share capital over the past 5 years:

DKK'000	2017	2016	2015	2014	2013
Opening balance	500	500	500	500	500
	<u>500</u>	<u>500</u>	<u>500</u>	<u>500</u>	<u>500</u>

#### 6 Contractual obligations and contingencies, etc.

##### Other contingent liabilities

The Company is jointly taxed with the parent company Soliton Systems Development Center Europe A/S which is the administrative company. The Company has joint and several unlimited liability for Danish corporation taxes.

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 7 Related parties

Giritech A/S' related parties comprise the following:

##### Parties exercising control

<u>Related party</u>	<u>Domicile</u>	<u>Basis for control</u>
Soliton Systems Development Center Europe A/S	Spotorno Alle 12, 2. 2630 Taastrup	Participating interest

##### Information about consolidated financial statements

<u>Parent</u>	<u>Domicile</u>	<u>Requisitioning of the parent company's consolidated financial statements</u>
Soliton Systems K. K.	2-4-3 Shinjuku, Shinjuku-ku, Tokyo 160-0022 Japan	The ultimate mother company's financial statement is available at <a href="https://solitonsystems.com/">https://solitonsystems.com/</a>

##### Related party transactions

The Company solely discloses related party transactions that have not been carried out on an arm's length basis, cf. section 98c(7) of the Danish Financial Statements Act.

The following transactions were not carried out on an arm's length basis:

<u>Related party</u>	<u>Amount</u> DKK'000	<u>Description of transaction</u>
Soliton Systems Development Center Europe A/S	24,086	Group contribution to parent company