

Annual report for the year ended

31 March 2024

Epson Europe B.V.

Amsterdam

Contents

Directors' report	1
Financial Statements	
Consolidated financial statements	11
Consolidated balance sheet as at 31 March 2024	11
Consolidated profit and loss account for the year ended 31 March 2024	12
Consolidated statement of comprehensive income for the year ended 31 March 2024	13
Consolidated cash flow statement for the year ended 31 March 2024	14
Notes to the consolidated financial statements	15
Company balance sheet as at 31 March 2024	42
Company profit and loss account for the year ended 31 March 2024	43
Notes to the company financial statements	44
Other information	56
Profit appropriation according to the Articles of Association	56
Branches	56
Independent auditor's report	56

Directors' report

General information

Epson Europe B.V. ('EEB' or 'the Company', and together with consolidated subsidiaries called 'the Group') is a wholly owned subsidiary of Seiko Epson Corporation ('SEC'), set up to control their computer peripheral and associated businesses based in Europe, Middle East and Africa ('EMEA'). The business covers the distribution of video projectors, computer peripherals and associated products in Europe including Commonwealth of Independent States ('CIS'), and the Middle East and Africa, and manufacturing ink cartridges in the United Kingdom ('UK'), and digital inkjet textile printers in Italy, and distribution of products for semiconductors, quartz devices (QD) and sensing systems from Germany. All the sales subsidiaries are located in Europe and wholly owned by Epson Europe B.V. Further EEB has several branches which perform sales and marketing supportive activities.

We herewith present the consolidated and company only financial statements of Epson Europe B.V. for the financial year ended 31 March 2024 (hereafter '2023/2024').

Developments

The financial year 2023/2024 remains to be a tough business year, due to global economic slowdown, ongoing high inflation, the tightening of monetary policy by countries around EMEA and severe price competition in the market. Western Europe region has an overall 1% lower revenue as compared to prior year primarily due to the lower revenue from consumer products, projectors and commercial & industrial markets, while we have achieved 12% higher revenue compared to prior year for the Office printing business. CISMEA region (mostly Middle East and Africa) has a lower revenue as compared to prior year in across all products, except for Projectors business that have achieved 93% higher revenue compared to prior year. In addition, the turnover on other product groups such as Business Systems, and Manufacturing Solutions were also slightly lower this financial year compared to prior year.

Overall, we have a turnover of EUR 1.92 billion (2022/2023: EUR 2.07 billion), and a loss before tax of EUR 2.1 million (2022/2023: profit before tax of EUR 55.0 million). The loss before tax for the year under review is mainly caused by the pension buy-in cost in UK for its two subsidiary companies: Epson (U.K.) Ltd (EUL) and Epson Telford Ltd (ETL). The buy-in transaction has resulted in a cost recognition of approximately 30M EUR in both companies combined. The pension buy-in was conducted to eliminate Epson's exposure to large pension obligations and will follow later with a buy-out transaction.

The prices of the purchased goods from the head office in Japan are determined based on arm's length transaction and in compliance with the Advance Pricing Agreement (APA target), and the selling and general administrative expenses throughout the EMEA region are closely controlled and monitored.

Impact of the Ukraine-Russia conflict

As announced 2 years ago, Epson continues to suspend its business activities in Russia and Belarus.

On the other hand, longstanding supply chain issues have come to an end. Availability of semiconductors and most other parts have dramatically improved. The long distribution lead-times caused by logistics disruptions have also improved. There is concern that high inflation and recent turmoil in financial markets could result in serious downside risk due to a decline in consumer confidence and a cooling of household spending and investment. Therefore, we will continue to closely monitor the situation.

Financial position at year end

Total assets decreased by EUR 28.6 million or 3%, mainly because the company was able to sell excess inventory built-up in the last financial year.

The total fixed assets decreased by EUR 2.0 million mainly due to amortization of goodwill.

The investments in tangible and intangible fixed assets in this financial year amounted to EUR 10.2 million (March 31, 2023: EUR 11.2 million). This is related to leasehold improvements, furniture and fixtures, IT equipment, etc.

The total current assets decreased by EUR 26.6 million mainly due to decrease in inventories. Cash and cash equivalents at the year-end were EUR 192 million (March 31, 2023: EUR 167 million). The movement in cash and cash equivalents is mainly due to favourable movements in working capital and is well within the expected range to conduct the necessary operations effectively.

The directors consider that the Group can meet all its financial liabilities. Foreign currency risks are partially hedged in accordance with the policies laid down by Seiko Epson Corporation and endorsed by the directors of Epson Europe B.V.

Financial Ratios FY23

	March 31, 2024	March 31, 2023
Liquidity ratio		
Current ratio	1.40	1.39
Quick ratio	0.77	0.71
Financial leverage		
Debt ratio	0.74	0.75
Assets to Equity ratio	3.83	3.93
Liabilities to Equity ratio	2.83	2.93

Employee information

During the FY2023/2024 the average number of employees amounted to 2,442 (FY2022/2023: 2,448). Epson continues investing heavily in the training of its employees, using computer based as well as more traditional methods. For example, Epson has organized mandatory trainings for all employees on Diversity, Equity & Inclusion topics, as well as a gender equity mentoring program.

The law 'More balanced ratio between men and women in the management and supervisory board' entered into force on 1 January 2022. The aim of the law is to achieve a more balanced gender balance in the (sub)top of the Dutch business community. The law obliges 'large' companies to report their targets, action plans, male/female ratios, and results to the Social-Economic Council (SER) every year. For Epson Europe B.V. there is an obligation to disclose our targets, plans and gender ratio in the top and (sub)top. In FY2023/2024 Epson management consists of Board of Directors (100% male), Supervisory Board (100% male) and Strategic Management Forum. In the current management structure based on the Strategic Management Forum, 21% of employees are female.

Epson recognizes that gender equality is one of the greatest challenges facing the Company, particularly in Japan, and is working to achieve a state in which the percentage of women in middle management and executive management positions equals the percentage of women employees to all employees (40%) as soon as possible. The company is working on a plan to achieve this balance, but needs to consider all stakeholders, and further develop the plan.

Directors' remuneration

The bonus of the board of directors mainly depends on Seiko Epson Group's operating result, their responsibility, individual objectives, and performance results.

Company industry and functional analysis

The global Seiko Epson group is involved in the development, manufacturing, sales, marketing and servicing of information and printing solutions (inkjet printers, textile printers, and POS system), visual communications (projectors), wearable and industrial products (watches, semiconductors, micro devices, and factory automation equipment) and other products.

The industry relevant for the operations of EEB can be classified as part of the global electronic and computer storage and peripherals industry sector. EEB is the central European, Middle East and Africa (EMEA) distributor of physical products. EEB is also the European headquarter of the Epson Group and in such role, EEB provides certain intermediary coordination and support services with respect to administrative services, marketing, and operations. EEB, as the EMEA central distributor for Epson branded products, purchases products under the Epson trademark from SEC (and other group manufacturing companies). EEB then sells them to the following Epson sales companies ('ESCs') and directly to its customers within the EEB territories:

- Epson Deutschland GmbH;
- Epson France S.A.S;
- Epson Iberia SAU;
- Epson Itália S.p.A; and
- Epson UK Ltd

In addition, EEB provides certain intermediary coordination and support services to the ESCs. The ESCs are primarily responsible for maximizing sales in their territory and appoint third party distributors or dealers to distribute Epson's products to the market and to end users.

Based on EEB's transfer pricing arrangements with SEC and a tax ruling agreement with the Dutch Tax Authorities, it shall be at arm's length to remunerate EEB, as a master distributor and headquarter for the EMEA region. Remuneration is being assessed on a frequent basis to ensure that it is always at arm's length for all activities within the EMEA region. This remuneration is then to be allocated as follows:

- to the European Sales Centres
- to the own sales activities of EEB
- to the branch activities, part of the remuneration is allocated based on cost plus
- remaining to the core activities of EEB

The net operating margin targets as agreed with SEC and reflected in our tax ruling agreement are within the range of benchmark analysis performed for these activities and shall be in line with the arm's length standard.

The other EEB's subsidiaries being Epson CIS ('ECIS'), Epson Europe Electronics GmbH ('EEG'), Epson Telford Ltd ('ETL'), Epson Subscription Europe B.V., ('ESE') and EIS' subsidiary Epson Como Printing Technologies Srl (ECS) have a different function.

ECIS's activities remain dormant, following the company's decision to suspend its activities in Russia and Belarus in previous financial year.

EEG primarily sells two major product groups, being Semiconductors and QD (Quartz Devices, including timing devices and sensors). EEG has a direct transfer pricing policy with SEC. In addition, EEG provides support to create off-shore revenue (business generated in Europe through engineering and design-in support which eventually generates revenue from mass production and customer orders for subsidiaries in Asia). For these activities, EEG receives commission income from SEC, which covers the costs of the engineering services.

ETL is a manufacturing unit within European division of the SEC group dealing mainly with group companies. Its principal activity is the manufacture and packing of ink cartridges and the distribution of those cartridges to fellow group companies.

ECS specializes in the development, manufacture, and sale of digital inkjet textile printers, notably the Monna Lisa* series, which it began developing with Epson in 2003. This product has established a strong brand image by providing beautiful gradations and colour reproduction, winning plaudits from customers. In addition, the company sells ink for Monna Lisa* printers and develops ink in cooperation with SEC, which include development, manufacture, and sale of textile preparation products. The company also sells analogue printing dyes and auxiliary products, performs chemical treatment consulting for digital textile printing and Monna Lisa* sales support and sales of Epson dye sublimation large-format printers.

**Monna Lisa is the name of a series of industrial inkjet digital textile printers jointly developed by Epson and Robustelli.*

Risk section

The risk management policies and procedures are key to ensure the proper management of Epson Europe B.V. All layers of our organization understand that risk management is an important process. The risk management system is embedded in the corporate governance system. The basic approach to corporate governance is geared toward continuously increasing corporate value, and reinforcing business checks and balances, practicing sound corporate ethics, and ensuring business transparency and health. This is in compliance with J-SOX, which refers to the internal control portions of the Japanese Financial Instruments and Exchange Act, which is the main statute codifying securities law and regulating securities companies in Japan.

Following the Japanese Financial Instruments and Exchange Law, which was enacted in 2006, companies are required to evaluate the effectiveness of their internal control over financial reporting systems. This system is the Japanese version of the U.S. Sarbanes-Oxley (SOX) Act and is commonly known as "J-SOX". The system requires listed companies to establish systems to ensure the accuracy of their financial statements and disclosure items, and to evaluate the effectiveness of these systems. Since Epson Europe B.V. is a material subsidiary of SEC, a listed entity in Japan, Epson Europe B.V. needs to be compliant with J-SOX as well for certain key processes.

Main risks

Due to the group trading arrangements and transfer pricing policy agreements with SEC as described in the section "Company industry and functional analyses" above, the impact of the risks relating to Group's operations on the profit of the Group is outlined further below.

At present, we have identified the following significant factors as risks that could have a materially adverse effect on our future business, financial condition and/or operating results. These significant risks are categorized as follows:

Strategic risk area (includes price risk, technology risk, and competition risk);

- Operational risk area (product liability / warranty risk, transportation risk, and inventory risk);
- Financial risk area (includes credit risk and currency risk); and
- Compliance risk area (includes environmental risk and local laws and regulations relating to tax and copyrights).

These identified risks with the corresponding Group's policy to mitigate these risks are set out below. There may be other risk factors of which we are unaware at this time. We strive to recognize, prevent, and control potential risks and to address risks that materialize. Also, all forward-looking statements hereunder were made at Epson's discretion as of the date of this Annual Report was submitted.

Based on the Company's assessment on fraud risk, such as misappropriation of assets, there are internal controls & JSOX controls in place for high-risk areas such as revenue cut off, SG&A controls, etc. To raise the awareness for fraud risk with the employees the company conducts frequent employee trainings, holds meetings on this topic and has Ethics hotline in place.

Strategic risk area

Price risk

All of Epson's products, including the core printer and projector products, are subject to the effects of vigorous competition, which could cause, among other things, prices to fall, demand to shift toward lower-priced products, and unit shipments to decline.

SEC provides the basis of the range of the net selling price. However, EEB takes strategic actions (such as discounts and rebates) to address the risk of price declines in unit shipments. To cover the risk of price decreases, EEB provides products tailored to customer needs in each market along with high-value products and services. If the selling prices will be out of the range of SEC's mandated net selling price, it needs to be approved by SEC.

As stated in the above section "Company industry and functional analyses", the risk on the profitability is mainly with SEC. If the sales price decrease, then the purchase price from SEC will also decrease on the long term to achieve the targeted margin.

Other control measures are keeping close watch on the market and have a timely communication with SEC to ensure timely development of new products and ensure updated benchmarking has taken place and update the transfer pricing agreements, as necessary.

Risk appetite is medium in the current and preferred profile. Should this risk materialize, EEB has the financial capacity to assume the risk.

Technology risk

Some of the products that we sell contain technology that places Epson in competition against other companies.

We believe that the technologies used in the products are believed to be superior to the alternative technologies of other companies. However, if consumer opinion with respect to Epson technologies changes, or if other revolutionary technologies appear on the market and compete with our technologies, we could lose our competitive advantage and our operating results could be adversely affected. This possible adverse impact on our operating results will be compensated by SEC as agreed in our transfer pricing policy agreements.

All Develop, Enhance, Maintain, Protect and Exploit control functions are performed by SEC with respect to the core Epson Intellectual Property (IP).

Control measures taken at the level of EEB are limited to the following:

- i. Keeping close communication with SEC and requesting new model developments; and
- ii. Collecting European market information by Sales & Marketing department.

The risk is with SEC, since SEC owns the Research and Development activities and Intellectual Property rights. EEB's technology risk is limited as stated in the Distributorship agreement that the intellectual property rights shall remain the exclusive property of SEC. Risk appetite is low in the current and preferred profile. Should this risk materialize and becomes high, SEC has the financial capacity to assume the risk.

Competition risk

We presently face competition from powerful companies that have advanced technological capabilities, abundant financial resources, or strong financial compositions. We also face competition from companies around the world that have market recognition, strong supply capacities, or the ability to compete on price. There is, therefore, a possibility that other companies could use their brand power, technological strength, ability to procure funds, marketing power, sales skills, low-cost production ability, or other advantages to enter business areas where we are active.

To ensure competitiveness, Seiko Epson Group is laying a strong foundation to achieve sustained growth by concentrating our management resources on the four areas of printing, visual communications, quality of life, and manufacturing, as we believe these are areas that promise future growth and where we can leverage our unique strengths. To achieve sustained growth, we are executing strategies based on a long-range vision and a mid-range business plan. Since we consider technological advantage to be a critical component of competitive strength, we are driving advances in our unique core technologies, including Micro Piezo print heads, micro-displays, sensing systems, and robots, all of which originated from the compact, energy-saving, high-precision technologies that have been Epson's unique strengths since the Company was founded. By driving advances and combining these technologies to create platforms, we are developing and manufacturing products and providing services that meet the needs of our customers.

The competition risk is with SEC as they are responsible for the group's global strategy, Business Plan and Investment Strategy. SEC is also responsible for global price setting of its products and to ensure that it is competitive. EEB's competition risk is limited as stated in the Distributorship agreement as all the price setting functions and other functions related to patents, utility models, designs, which are the key elements in market competition, are the responsibility of SEC.

Risk appetite is low in the current and preferred profile. Should this risk materialize and become high, SEC has the financial capacity to assume the risk.

Operational risk area

Product liability / warranty risk

Product liability risk arises when a company's products fail to perform at accepted or advertised standards or, in extreme cases, even cause its user bodily harm.

EEB provides its customers with the normal guarantee period (according to the relevant regulations). The costs of repair, replacement / swap of complete units under standard manufacturer's warranty liability are borne by EEB.

Warranty is the manufacturers guarantee that a product is free from defects, for a stated period when purchased by the retail customer. The standard warranty of one year (in France two years due to legal reasons) is determined and approved by SEC.

For the additional warranty, called cover+, EEB determines if it offers the extended warranty, which is usually in combination with a tender or promotion.

SEC is responsible for all manufacturing defects. If the fault is due to a defect or quality issue from the factory, the warranty risk of the product is borne by SEC.

The risk appetite is considered medium in the current and preferred profile. Should this risk materialize, SEC and EEB have the financial capacity to assume the risk.

Transportation risk

Transportation risks are unavoidable risks associated with overseas manufacturing and sales operations. This encompasses all factors that could affect the import and export of Epson products.

SEC arranges the necessary global insurance related to the shipment of Epson products from Asian factories to EEBs Central Distribution Centre or other warehouses of EEB. SEC is also responsible for determining the logistics and supply chain management KPIs for EEB. Necessary insurance for the products delivered from EEB central warehouses to the customers are taken by EEB based on negotiations by SEC on our Global Insurance and based on the incoterms specified per country of destination.

SEC bears the risks related to the transportation, as described in the distributorship agreement between SEC and EEB.

The risk appetite is considered medium in the current and preferred profile. Should this risk materialize, SEC and EEB have the financial capacity to assume the risk.

Inventory risk

Inventory risk relates to the potential losses associated with carrying finished products inventory. Potential losses include obsolescence, shrinkage, or market collapse, such that products are only saleable at prices inadequate to cover the products costs.

EEB is fully responsible for inventory risk management, as it manages the main central warehouse (CDC), and other satellite warehouses in EMEA.

EEB's finance department is monitoring and recording provisions for future losses due to slow moving stock or overvalued stock. These analyses are communicated to the Product managers and Planning department for necessary actions.

There are two reasons for this provision:

- End of line stock: This covers products that have been superseded by new models or have been decided to stop its production.
- Slow moving stock: These are too high stocks compared to the monthly sales, giving rise to the possibility of a future loss, depending on the market conditions.

EEB is fully responsible for inventory risk management for the EMEA region, as it manages the main central warehouse (CDC).

Initially, EEB bears most of the risk for obsolescence and scrap in EMEA. However, ultimately SEC financially bears the risk globally.

The risk appetite is considered medium in the current and preferred profile. Should this risk materialize, EEB has the financial capacity to assume the risk.

Financial risk area

Credit risk

Customer credit risk is borne by a company when it supplies products or services to a customer and the customer defaults on such payments.

The Group's clients are subject to creditworthiness tests. Sales are subject to payment conditions of between 8 and 90 days. Majority of our trade receivables is covered by credit insurance. Therefore, the Group does not have any significant concentrations of credit risk. For companies which are not covered by the credit insurance, transactions are carried out on Cash with Order basis or a form of guarantee, which is accepted by the banks when requested from the customer. Early discount is given to minimize the credit risk and improve overall cash flow.

Risk appetite is low in the current and preferred profile.

Currency risk

Currency exchange rate (FX) risk relates to the potential variability of profits that can arise because of changes in foreign exchange rates and arises whenever the transacting currency of an entity is different from its functional currency.

The Group is active in The European Union and CIS, the Middle East and Africa. The Group's currency risk mainly relates to positions in US dollars and British pounds. Based on a risk analysis, Group management determines which part of the currency risks must be hedged. Mainly due to the forward contracts and transfer pricing mechanism in place, any movement in the USD, and GBP does not have a material impact on our profitability.

Risk appetite is low in the current and preferred profile.

Cash flow risk

The risk of future cash flows from monetary financial instruments fluctuating is minimal.

The Group uses a selection of banks to be in a position to use more than one facility. Where necessary, guarantees and collaterals are granted to banks to secure facilities.

Liquidity risk

At present we do not have any problems in terms of liquidity risk. The Group has sufficient cash reserves in the event of a major economic slowdown.

Compliance risk area

Environmental risk

Epson group is subject, both in Japan and overseas, to various environmental regulations concerning industrial waste and emissions into the atmosphere that arise from manufacturing processes to scrapping. Environmental conservation is one of our most important management policies, and we proactively engage in environmental conservation efforts. For example, we have programs to develop and manufacture products that have a small environmental footprint. We also have programs to reduce energy use, promote the recovery and recycling of end-of-life products, ensure compliance with international substance regulations, and improve environmental management systems. Thanks to these efforts, we have not had any serious environmental issues to date.

Compliance remains high on the list of important management issues, and Epson is constantly developing measures to prevent and control potential issues as appropriate. All underlying processes are controlled and monitored by SEC. The CSR Director of EEB supports SEC in this respect.

This is contractually assumed jointly by SEC and EEB within its territories. This is laid-out in several group regulations, such as: (1) Epson group environmental action management regulation; (2) Epson group emissions management regulation; (3) Epson group zero emissions program standard; and (4) Epson group pollution control regulation.

Risk appetite is low in the current and preferred profile.

Local laws and regulations

Epson group is a multinational corporation with a variety of business operations around the globe. We ensure compliance with the laws and regulations of the countries in which we operate by building a robust compliance framework in each country and each business and by communicating the nature and importance of compliance requirements internally. The main transactions to be considered are sales to the Company's subsidiaries. For these transactions, compliance with Tax and Copyright laws are essential. To manage the specific Tax risks the Company has engaged with the Dutch Tax authorities in a so-called Horizontal monitoring concept which relies on open communication between the Company and the Tax Authorities. This Horizontal monitoring concept was initiated by the Dutch Tax authorities in the past years. The horizontal monitoring means that tax authorities try to rely on company's internal controls in place to the extent possible to limit the extent and time for a tax audit. The management of the risk on Copyright laws is realized through the implementation of the levies which have been agreed with the collecting agency within the Companies ERP system.

Compliance remains high on our list of important management issues, and we are constantly developing measures to prevent and control potential issues as appropriate.
Risk appetite is low in the current and preferred profile.

Cybersecurity / GDPR risks

The group's security program is based on the awareness and responsibility of each individual employee. The program is executed and implemented through communication, mandated training, and appropriate reporting services. The monitoring, analysis and evaluation of cyber threats and new attack methods are also important elements in securing sensitive processes and data.

By continuous monitoring of the changing cyber security threat landscape EEB gains a deep insight around evolving cyber-attack tactics, techniques, and procedures. Incorporating this intelligence into the on-going security improvement programs, and associated security controls, is a key measure in the protection against such attacks.

Research and development

The Group did not carry out any significant research and development (R&D) activities relating to products during the year (as prior fiscal year). The main R&D activities are done by SEC.

The Group objective and outlook

The Group objective and outlook for the financial year 2024/2025 is to have the higher total revenue of approximately 6% compared to fiscal year 2023, and further improve profit ratios. Based on the market trend, we anticipate continuing having a good stable revenue on Consumer products and Projectors, while further increasing the revenue on Professional, Office & Business printing and Commercial & Industrial, Business Systems, and Manufacturing Solutions markets.

The Company has the intention to further strengthen the Business and Strategy in Emerging territories such as Middle East & Africa. Therefore, the company has decided to establish a new Sales company in the Middle East region. The new Epson sales company is expected to start operation in FY24 and will continue to manage the ME & Africa Business under direct control of the ultimate parent Seiko Epson Corporation. Approximately 16% of the respective regional business and operations currently managed by Epson Europe B.V. will be transferred to the new ME & Africa Sales company. As a result, the company expects the staff level to reduce as a certain number of employees will be moved to the new Sales company.

Subscription-based services launched at the end of 2019 are expected to contribute to the revenue in the coming years. Currently the impact on total revenue remains low. The activities originally concentrated in Epson Subscription Europe B.V. have been transferred to other Group companies in April 2024, to be integrated into their commercial activities.

We foresee that the IT-sector will continue to be very competitive. The Group will continue to introduce more innovative products and a wider product range to remain competitive and to increase its market share in Europe, Middle East and Africa ('EMEA').

The Group is continuing its policy of process improvement to increase the level of service provided to its customers in the most efficient, cost-effective manner.

The Group has no significant improvements planned in the risk management system other than minor changes related to the IT controls on access to the ERP system and review of the HR payroll processes.

It is also expected that future cash flows will not cause any liquidity issues in the coming fiscal year.

Based on annual rolling forecast, the Company expects to continue a going concern basis for at least 12 months after the date of these financial statements prepared according to group accounting policies.

Amsterdam, 26 July 2024

The Board of Managing Directors,

takanori inaho
takanori inaho (Aug 21, 2024 14:59 GMT+2)

T. Inaho

藤井啓輔

K. Fujii

Junkichi Yoshida
Junkichi Yoshida (Aug 20, 2024 01:45 GMT+9)

J. Yoshida

Consolidated financial statements

Consolidated balance sheet as of 31 March 2024

(Before appropriation of result)

<i>in thousands of EUR</i>	Reference	March 31, 2024	March 31, 2023
<i>Assets</i>			
Fixed assets		65,199	67,233
Intangible Fixed Assets	5.1	8,414	11,230
Tangible Fixed Assets	5.2	40,657	40,306
Financial Fixed Assets	5.3	16,128	15,697
Current assets		819,462	846,017
Inventories	5.4	365,055	415,451
Receivables	5.5	262,338	263,861
Cash at banks and in hand	5.6	192,069	166,705
Total assets		884,661	913,250
<i>Equity and Liabilities</i>			
Group equity	5.7	230,772	232,458
Provisions	5.8	41,584	48,514
Non-current liabilities	5.9	25,748	24,641
Current liabilities	5.10	586,557	607,637
Total liabilities and group equity		884,661	913,250

Consolidated profit and loss account for the year ended 31 March 2024

<i>in thousands of EUR</i>	Reference	2023/2024	2022/2023
Revenue	6.1	1,915,701	2,066,626
Cost of sales		(1,425,779)	(1,551,302)
Gross profit		489,922	515,324
Selling expenses		(136,655)	(155,920)
General and administrative expenses	6.2	(357,282)	(303,936)
Total operating expenses		(493,937)	(459,856)
Operating profit		(4,015)	55,468
Gain (loss) on disposal of (in)tangible fixed assets		(56)	221
Financial income/(expense)	6.3	1,947	(679)
Profit before tax		(2,124)	55,010
Taxation	6.4	3,675	(19,751)
Share in profit of associate		-	-
Profit/(Loss) for the year		1,551	35,259

Consolidated statement of comprehensive income for the year ended 31 March 2024

<i>in thousands of EUR</i>	2023/2024	2022/2023
Consolidated profit after tax	1,551	35,259
Other comprehensive income items that will not be reclassified to profit or loss:		
Actuarial gains/(losses) – net of deferred tax impact	<u>(3,880)</u>	<u>(9,040)</u>
	(3,880)	(9,040)
Other comprehensive income items that are or may be reclassified to profit or loss:		
Currency translation adjustments on		
Investments in subsidiaries and branches	<u>643</u>	<u>(702)</u>
	643	(702)
Total comprehensive income	(1,686)	25,517

Consolidated cash flow statement for the year ended 31 March 2024

<i>in thousands of EUR</i>	Ref.	2023/2024	2022/2023
<i>Cash flows from operating activities</i>			
Operating profit		(4,015)	55,468
<i>Adjustments in respect of:</i>			
Amortisation and depreciation	5.1,5.2	11,757	10,988
Gain (loss) on disposal of (in)angible fixed assets		(56)	221
Movements in provisions for actuarial gains (losses) through equity	5.7	(3,880)	(9,040)
Movements in provisions other than deferred taxes		(581)	(2,951)
<i>Total adjustments</i>		<i>7,240</i>	<i>(782)</i>
<i>Changes in working capital:</i>			
Inventories		50,396	(79,623)
Receivables other than corporate taxes		10,266	(59,464)
Liabilities other than corporate taxes		(24,018)	(58,529)
<i>Total changes in working capital</i>		<i>36,644</i>	<i>(197,616)</i>
Cash generated from ordinary operations		39,869	(142,930)
Interest received/(paid)		(120)	(1,262)
Corporate income tax received/(paid)		(18,077)	(7,408)
<i>Total interest and corporate income tax received/(paid)</i>		<i>(18,197)</i>	<i>(8,670)</i>
Net cash generated from operating activities		21,672	(151,600)
Purchases of (in)angible fixed assets	5.1,5.2	(10,245)	(11,206)
Disposal of (in)angible fixed assets	5.1,5.2	1,818	94
Investment in financial fixed assets	5.3	(132)	(334)
Cash flows from investing activities		(8,559)	(11,446)
Dividend paid		-	(120,000)
Proceeds from loans and borrowings from parent company		70,000	170,000
Repayment from loans and borrowings from parent company		(60,000)	(40,000)
Net cash used in financing activities		10,000	10,000
Increase/(Decrease) in cash and cash equivalents		23,113	(153,046)
<i>Movements in cash and cash equivalents</i>			
Cash and cash equivalents as of April 1		166,705	319,973
Increase / (Decrease) in cash and cash equivalents		23,113	(153,046)
Cash translation differences		2,251	(222)
Cash and cash equivalents as of March 31	5.6	192,069	166,705

Notes to the consolidated financial statements

1 General information

1.1 Activities

Epson Europe B.V. ('EEB' or 'the company', and together with its consolidated subsidiaries called 'the group') is a wholly owned subsidiary of Seiko Epson Corporation ('SEC') set up to control their computer peripheral and associated businesses based in Europe, Middle East and Africa ('EMEA'). The business covers the distribution of video projectors, computer peripherals and associated products in Europe including Commonwealth of Independent States ('CIS'), and the Middle East and Africa, and manufacturing ink cartridges in the United Kingdom ('UK'). All the subsidiaries are located in Europe and wholly owned by Epson Europe B.V. Further EEB has several branches which perform sales and marketing supportive activities.

1.2 Group Structure

Epson Europe B.V. is a wholly owned subsidiary of Seiko Epson Corporation, Japan. The financial information of Epson Europe B.V. is included in the consolidated accounts of Seiko Epson Corporation, Japan. Epson Europe B.V. ("the company"), Amsterdam was incorporated in the Netherlands on 17 January 1990. Epson Europe B.V. is incorporated under the Dutch law and has its statutory seat in Amsterdam. The company is a limited liability company with an address at Hoogoorddreef 5, 1101 BA Amsterdam and registered at the chamber of commerce under registration number 33215466.

1.3 Consolidation

The consolidation includes the financial information of Epson Europe B.V., its group companies and other legal entities in which it exercises control. Group companies are legal entities in which Epson Europe B.V. exercises direct or indirect control because of its possession of the majority of the voting rights, or whose financial and operating activities it can otherwise control. Potential voting rights that can directly be exercised on the balance sheet date are also considered. Group companies and other legal entities in which Epson Europe B.V. exercises decisive control or whose central management it conducts are consolidated in full. Minority interests in group equity and group profit are disclosed separately.

Intercompany transactions, profits and balances among group companies and other consolidated legal entities are eliminated. Unrealised losses on intercompany transactions are eliminated as well, unless such a loss qualifies as impairment. The accounting policies of group companies and other consolidated legal entities were changed where necessary, to align them to the prevailing group accounting policies.

Since the profit and loss account of Epson Europe B.V. is included in the consolidated financial statements, a summarized profit and loss account is disclosed in the company financial statements in accordance with Article 2:402 Netherlands Civil Code.

The consolidated financial statements comprise the financial information of the following companies:

	Place of incorporation	Shareholding %	
		<u>March 31, 2024</u>	<u>March 31, 2023</u>
Epson Deutschland GmbH	Düsseldorf, Germany	100	100
Epson Europe Electronics GmbH	Munich, Germany	100	100
Epson France S.A.	Levallois-Perret, France	100	100
Epson Telford Ltd	Telford, United Kingdom	100	100
Epson (U.K.) Ltd	Hertfordshire, United Kingdom	100	100
Epson Ibérica S.A.	Barcelona, Spain	100	100
Epson Italia S.p.A.	Milan, Italy	100	100
Epson CIS *	Moscow, Russia	100	100
Epson Subscription Europe B.V.	Amsterdam, The Netherlands	100	100
Epson Como Printing Technologies S.r.l.	Como, Italy	100	100

*This company's activities have ceased

1.4 Mergers and acquisitions

Acquisitions and mergers are recognized in the financial statements according to the purchase accounting method. This means that any assets and liabilities acquired are carried at fair value as at the acquisition date. The difference between cost and the company's share in the fair value of the identifiable assets and liabilities acquired at the time of the transaction of a participating interest is recognized as goodwill.

1.5 Related-party transactions

All group companies mentioned in note 1.3 are related parties. Transactions between group companies are eliminated upon consolidation. The parent company Seiko Epson Corporation, Singapore Epson Industrial PTE, and members of the key management personnel also qualify as a related party. Further information is disclosed in note 7.1 to the consolidated financial statements.

1.6 Notes to the cash flow statement

The cash flow statement has been prepared applying the indirect method. The cash and cash equivalents in the cash flow statement comprise the balance sheet item cash at banks and in hand. Cash flows in foreign currencies have been translated at estimated average exchange rates. Exchange differences affecting cash items are shown separately in the cash flow statement. Income and expenses in respect of interest and taxation on profits are included in the cash flow from operating activities. Dividends paid have been included in the cash flow from financing activities.

The line-item movements in provisions are corrected for movements due to actuarial results since these results are processed through equity and not through the operating profit.

Investments in group companies are recognised at acquisition cost less cash and cash equivalents available in the company acquired at the time of acquisition.

1.7 Significant estimates

The preparation of financial statements in conformity with the relevant rules requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the consolidated financial statements in future periods. If necessary for the purposes of providing the view required under Section 362(1), Book 2, of the Netherlands Civil Code, the nature of these estimates and judgments, including the related assumptions, is disclosed in the notes to the financial statement items in question. The estimates that have the most significant effect on the consolidated financial statements relate to the impairment of fixed assets, inventory, provisions for post-employment benefits, refund liabilities and contingencies. Because majority of trade receivables is insured (see also note 4.3 on credit risks) the degree of estimation on this account is assessed as low.

2 Accounting policies for the balance sheet

2.1 General information

The consolidated financial statements are prepared in accordance with the statutory provisions of Part 9, Book 2, of the Netherlands Civil Code and the firm pronouncements in the Guidelines for Annual Reporting in the Netherlands as issued by the Dutch Accounting Standards Board.

The financial statements are approved in the annual general meeting of shareholders to be issued in English language. The financial statements are denominated in Euro group currency.

Going concern

Based on annual rolling forecast, the Company expects to continue a going concern basis for at least 12 months after the date of these financial statements, which are prepared on a going concern basis.

In general, assets and liabilities are stated at the amounts at which they were acquired or incurred, or fair value. If not specifically stated otherwise, they are recognised at the amounts at which they were acquired or incurred. The balance sheet, profit and loss account and cash flow statement include references to the notes.

2.2 Functional currency

Items in the financial statements of group companies are stated with due observance of the currency of the primary economic environment in which the respective group company operates (the functional currency). The consolidated financial statements are denominated in Euro, i.e., the functional and reporting currency of Epson Europe B.V.

Transactions, receivables, and debts

Transactions denominated in foreign currencies in the reporting period are recognised in the financial statements at exchange rate ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange prevailing at the balance sheet date. Exchange differences resulting from settlement and translation are charged or credited to the profit and loss account.

Foreign activities

The assets and liabilities of foreign activities are translated into the group's presentation currency (euros) at the rate of exchange ruling at the balance sheet date and the income and expenses of these foreign activities are translated at the average rate of exchange for the year. Resulting exchange differences are taken directly to the legal foreign currency translation reserve. On the disposal of a foreign activity, the cumulative exchange differences taken directly to the reserves, are taken to the profit and loss account as part of the gain or loss on the sale.

2.3 Offsetting

Assets and liabilities are only offset in the financial statements if and to the extent that:

- an enforceable legal right exists to offset the assets and liabilities and settle them simultaneously; and
- the positive intention is to settle the assets and liabilities on a net basis or simultaneously.

2.4 Intangible fixed assets

Intangible assets are stated at historical cost less amortisation and impairment charges. For determining whether an impairment charge in respect of a intangible fixed asset applies, reference is made to note 2.7. A loss qualifies as an impairment loss if the carrying amount of the asset (or of the cash-generating unit to which it belongs) exceeds its recoverable amount.

Computer software and licences

Software licences acquired are capitalised at acquisition cost and amortised over their estimated future useful lives, with a maximum of 5 years. Expenditures that are attributable to the production of identifiable and unique software products controlled by the Group are capitalised. When internally produced, such assets are capitalised if future economic benefits are probable, and the expenditure can be reliably measured. Costs associated with maintaining computer software and research expenditure are recognised in the profit and loss account. Amortization is done on a straight-line basis over their estimated useful lives of 5 years. Software under development refers to internally developed software, which is transferred under the 'Software' category and started to be amortised only when the software is ready for use.

Research and development expenditures

Research expenditures are recognised in the profit and loss account. Expenditures incurred for development projects are capitalised if they satisfy the technical, commercial, and financial feasibility criteria set for them. A legal reserve equivalent to the carrying amount is formed. Capitalised software improvements are amortised on a straight-line basis as soon as the commercial production process has commenced, with amortisation being based on the estimated future useful life of the asset of 5 years.

Goodwill

Goodwill is capitalized net of accumulated amortization and impairment where applicable.

Goodwill is amortized on a straight-line basis over its estimated economic useful life as follows:

Goodwill arising on the acquisition of ForTex and Robustelli which were merged to ECS in previous year: 10 years.

The term of 10 years is selected based on a medium- and long-term corporate strategy which is usually a 10-year period range whereby the acquired company is expected to fully demonstrate its operating potential.

For impairment testing, goodwill acquired in an acquisition is, from the acquisition date, allocated to each of the cash-generating units or groups of cash-generating units that are expected to benefit from the synergy in the acquisition. The Group assesses at each reporting date, whether there is any objective evidence that goodwill is impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash generating unit (or group of cash generating units) to which the goodwill relates. When the recoverable amount of the cash generating unit is less than its carrying amount, an impairment loss is recognized.

2.5 Tangible fixed assets

Land and buildings are valued at cost plus additional direct expenses, less straight-line depreciation over the estimated economic life less impairment charges and considering any residual value. Land is not depreciated. Any impairment as at the balance sheet date is considered.

Other fixed assets are valued at acquisition or production cost including directly attributable expenses, less straight-line depreciation over the estimated useful economic life, or recoverable amount if lower. Directly attributable production cost includes the costs of the raw materials and consumables and includes installation costs.

Tangible fixed assets carried at cost do not include capitalised interest charges.

Depreciation is calculated on the following basis to write off cost over the expected useful lives of the assets and considering the residual value:

	Years	Method
Buildings	35	Straight-line
Production, Machinery, and equipment	10	Straight line
Tools, Furniture & Fixtures	2 - 10	Straight-line

If the expected depreciation method, useful economic life and/or residual value are subject to changes over time, they are treated as a change in accounting estimate.

Costs of major maintenance are recognized under cost when incurred and if the recognition criteria are met. The carrying amount of the components to be replaced will be regarded as a disposal and taken directly to the profit and loss account. All other repair and maintenance costs are taken directly to the profit and loss account.

For determining whether an impairment charge in respect of a tangible fixed asset applies, reference is made to note 2.7.

2.6 Financial fixed assets

Deferred tax assets

Reference is made to note 2.11 for the accounting treatment of deferred tax assets.

Pension

Reference is made to note 2.14.

Other

Other financial fixed assets are initially measured at fair value and after initial measurement at amortized cost.

2.7 Impairment of fixed assets

At each balance sheet date, the Group verifies whether there are one or more indications of assets being subject to impairment. If one or more indications exist, the recoverable amount of the asset is determined. If this proves to be impossible, the recoverable amount of the cash-generating unit to which the asset belongs is identified. An asset is subject to impairment if its carrying amount exceeds its recoverable amount; the recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The impairment loss is determined and recognised in the profit and loss account.

Fair value less costs to sell is determined based on the active market. For the purposes of determining value in use, cash flows are discounted using the current interest rate prevailing at the time. An impairment loss is directly expensed in the profit and loss account.

If it is established that a previously recognised impairment loss no longer applies or has declined, the increased carrying amount of the assets in question is not set any higher than the carrying amount that would have been determined had no asset impairment been recognised.

2.8 Inventories

Inventories are valued at the lower of cost of acquisition or production and estimated net realisable value. The costs of raw materials, consumables and goods for resale are calculated based on the first in, first out principle.

The cost of acquisition includes the purchase price and the additional costs. The additional costs include the import duties and other taxes, transport and handling costs and other costs that can be directly attributed to the acquisition of the raw materials and consumables and the finished goods.

Cost of manufacture includes the cost of raw materials used and direct production costs, plus a mark-up for indirect cost of production, excluding interest on loans. The fixed indirect costs of production are based on normal production capacity. Indirect costs included under "inventories" carried at cost of production relate to the depreciation and maintenance of plants and machinery, as well as the salary costs of the factory's management.

Allowance for obsolete inventory is based on the ageing of the items and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses and less cost to complete. Net realisable value is determined making allowance for obsolescence of inventories.

2.9 Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost, which equals nominal value, less an allowance for possible uncollectible amounts.

2.10 Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank balances and deposits held at call with maturities of less than 12 months. Cash and cash equivalents are stated at face value. Negative net balances with banks are classified as bank overdraft under current liabilities.

2.11 Current and Deferred taxes

Current taxes

Taxes are calculated on the profit as disclosed in the profit and loss account based on current tax rates, allowing for tax-exempt items and cost items which are non-deductible, either in whole or in part.

Tax assets and liabilities are netted if the general conditions for netting are met.

Deferred taxes

A deferred tax liability is recognized for all taxable temporary differences between the valuation for tax and financial reporting purposes. A deferred tax asset is recognized for all deductible temporary differences between the valuation for tax and financial reporting purposes and carry-forward losses, to the extent that it is probable that future taxable profit will be available for set-off. Deferred tax assets and liabilities are recognized under financial fixed assets and provisions, respectively.

Deferred tax liabilities and deferred tax assets are carried based on the tax consequences of the realization or settlement of assets, provisions, liabilities or accruals and deferred income as planned by the group at the balance sheet date. Valuation is based on current tax rates. Deferred tax liabilities and deferred tax assets are carried at non-discounted value.

Deferred tax assets and liabilities are netted if the general conditions for netting off are met.

2.12 Dividends

Dividend distributions to the holders of ordinary shares are recognised as a liability in the balance sheet in the period in which the dividends are approved by the company's management and shareholder.

2.13 Provisions

Provisions are recognised for legally enforceable or constructive obligations existing at the balance sheet date, the settlement of which is probable to require an outflow of resources whose amount can be reliably estimated.

Provisions are measured based on the best estimate of the amounts required to settle the obligations at the balance sheet date. Provisions other than pension provisions are carried at present value of the expenditure expected to be required to settle the obligations, unless stated otherwise.

If the expenditure to settle obligations is expected to be reimbursed by third parties, the reimbursement is carried as an asset at the balance sheet if it is likely to be received as soon as the entity settles the obligation.

For further details relating to the background and nature of significant provisions, reference is made to note 5.8.

2.14 Pension provision

The pension assets and liabilities are calculated in accordance with International Accounting Standards 19 (IAS19), Employee Benefits, as accepted by the Dutch accounting guidelines (RJ 271.101).

Defined Benefit Plans

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The group mainly has defined benefit schemes in the United Kingdom. These defined benefit schemes are subject to scheme funding requirements of the Pensions Act 2004. This, together with documents issued by the Pension Regulator, and Guidance Notes adopted by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension plans in the UK. The defined benefit schemes expose the Group to mainly the following risks: investment risk, interest rate risk, inflation risk and mortality risk. There were no plan amendments, curtailments, or settlements during the period.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for actuarial gains or losses and past service costs. The defined benefit obligation is updated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

In case that the group has a net asset (e.g., when fair value of plan asset is higher than the present value of defined benefit obligations) for one or more defined benefit plans, the group recognizes an asset if and to the extent that the conditions for recognizing a pension asset are met.

The group recognises all actuarial gains and losses, net of deferred tax impact, immediately in other reserves.

Defined contribution plans

For its defined contribution schemes, the group pays contributions to pension funds and insurance companies on a compulsory, contractual or voluntary basis. Except for the payment of contributions, the group has no other obligation in connection with these pension schemes. Contributions are recognised as personnel costs when incurred. Prepaid contributions are accounted for under prepayments and accrued income if this leads to a repayment or a reduction in future payments.

2.15 Financial instruments

The financial instruments within the scope of RJ 290 comprise:

- Financial fixed assets (long term receivables).
- Receivables.
- Cash at banks and in hand.
- Financial liabilities, being current and long-term liabilities.
- Derivative financial instruments.

Below the accounting policies per category are indicated.

Financial fixed assets (long term receivables)

The accounting policy for financial fixed assets is described in the note 2.6.

Receivables

The accounting policy for receivables is described in the note 2.9.

Cash at banks and in hand

The accounting policy for cash at banks and in hand is described in the note 2.10.

Financial liabilities

Financial liabilities are carried at amortized cost value using the effective interest method. When no transaction costs and premiums or discounts are applicable, the amortized cost value equals the face value.

Derivative financial instruments

The Group uses forward currency contracts with SEC to hedge its risks associated with foreign currency fluctuations. These derivative financial instruments are initially measured at fair value. Gains and losses arising from changes in the fair value are taken to the profit and loss account. The Group does not apply hedge accounting.

The fair value of financial instruments approximates the carrying value.

Fair value of financial instruments

The fair value of financial instruments traded on active markets as at the balance sheet date is determined by reference to quoted market prices, without deduction of transaction costs.

The fair value of financial instruments not traded on active markets is determined using appropriate valuation methods, including, among others:

- Using recent arm's length market transactions between independent parties
- Reference to the current market value of another instrument that is substantially the same, and,
- Discounted cash flow analysis or other valuation models

2.16 Leases

Assessing whether an agreement contains a lease is based on the substance at the inception date of the agreement. The agreement is regarded as a lease if the fulfilment of the agreement depends on the use of a specific asset, or on whether the lease contains the right of use of a specific asset.

Operational lease – Group as a lessee

Lease contracts for which a large part of the risks and rewards incidental to ownership of the assets does not lie with the group, are recognised as operational leases. Obligations under operational leases are recognised on a straight-line basis in the profit and loss account over the term of the contract, considering reimbursements received from the lessor.

3. Accounting policies for the profit and loss account

3.1 General information

Result is determined as the difference between the realisable value of the goods delivered and services rendered and the costs and other charges for the year. Results on transactions are recognised in the year in which they are realised; losses are taken as soon as they are foreseeable.

3.2 Exchange differences

Exchange differences arising upon the settlement of monetary items and upon the revaluation of monetary items as per year end are recognised in the profit and loss account in the period that they arise.

3.3 Revenue

Net revenue represents the proceeds from the supply of goods and services, net of taxes levied on revenue and discounts. Amounts received by the group for its own account (as principal) shall be recognized as revenue. Amounts received by the group for third parties (as an agent) shall not be recognized as revenue.

The DASB has made changes to DAS 270 'Income statement' and DAS 221 'Construction contracts' in the DAS guidelines. These amendments apply to financial years commencing on or after 1 January 2022. Changes in the presentation and notes for the current and previous financial year shall be applied.

Other changes may only be applied to agreements entered or modified on or after 1 January 2022 (or the relevant effective date in the case of earlier application). This means that the recognition of existing contracts does not change.

Sales of goods

Revenue from the performance obligations regarding the sale of goods are recognized in the income statement when all the significant rights to economic benefits and all significant risks are transferred to the customer, the amount of revenue and the related costs can be measured reliably, and the receipt of the proceeds is probable.

Sales of services

If the amount of revenue of a performance obligation to provide a service can be estimated reliably and the receipt of the proceeds is probable, the revenue relating to the service is recognized in proportion to the services provided.

Revenue from sales of services is recognised under the percentage-of-completion method based on the services performed to the balance sheet date as a percentage of the total services to be performed.

Warranties

Warranties which may be purchased separately by the buyer are services to be distinguished and are accounted for as a separate performance obligation. Warranties that cannot be purchased separately are only accounted for as a separate performance obligation if the warranty provides a service in addition to the assurance that the delivered good meets the agreed specifications. Other warranties are accounted for as provisions. See the accounting policy for the provisions.

Transaction price

Revenue is recognized for the amount to which group expects to be entitled in exchange for the transfer of promised goods or services. If there are several performance obligations in an agreement, the total transaction price shall be allocated to the performance obligations in proportion to the value of the performance obligations.

Variable remuneration

If the transaction price includes a variable remuneration, the group estimates the amount of any variable remuneration as part of the total transition price. The group applies prudence in doing so to ensure that only revenues that have a low probability of having to be taken back later are recognized. At the end of each reporting period, the group updates the estimated amount of any variable remuneration. The group has variable remuneration in the form of volume discounts on hardware sales and hardware returns. The accounting policy for of the returns is set out below.

Returns

For all amounts received to which the group does not expect to be entitled, the group recognizes these received amounts as a repayment obligation. The repayment obligation is the group's best estimate of its obligation to repay the purchase price. Additionally, the group recognizes an asset for the group's right to recover goods from the customer in settlement of a repayment obligation. The asset is initially measured at the last applied carrying amount of the good less the expected cost of recovering that good including any write-downs of returned goods. At the end of each reporting period, the group updates the valuation of the asset and of the repayment obligation because of possible changes in the expectations about goods to be returned.

3.4 Cost of sales

Cost of sales represents the direct and indirect expenses attributable to turnover, including raw materials and consumables, cost of work contracted-out and other external expenses, personnel expenses in respect of production employees, depreciation costs relating to buildings and machinery and other operating expenses that are attributable to the cost of sales.

3.5 Selling expenses

Selling expenses are the direct expenses of the sales activities. Estimated expenses related to product warranties are provided for at the date of sale. Selling expenses also include warehouse charges for finished goods and trade goods, and the transport costs relating to the sales transactions.

3.6 General and administrative expenses

These expenses comprise costs chargeable to the year which are not directly attributable to the cost of the goods sold neither considered as selling expenses. General and administrative expenses include employee expenses of indirect personnel.

3.7 Amortisation and depreciation

Intangible fixed assets are amortised, and tangible fixed assets are depreciated over their estimated useful lives as from the inception of their use and considering the residual value. Land is not depreciated. Future depreciation and amortisation are adjusted prospectively if there is a change in estimated useful life.

3.8 Employee benefits

Regular payments

Salaries, wages, and social charges are taken to the profit and loss account when due, and in accordance with employment contracts and obligations. The group recognizes an obligation if it has demonstrably committed paying a termination benefit or transition payment. If the termination is part of a reorganization, the group includes the costs of a termination benefit or transition payment in a provision for reorganization costs.

Pensions

See further note 2.14.

3.9 Finance income and costs

Interest paid and received

Interest paid and received is recognised on a time-weighted basis, taking account of the effective interest rate of the assets and liabilities concerned. When recognising interest paid, allowance is made for transaction costs on loans received as part of the calculation of effective interest.

3.10 Income tax expense

Income tax is calculated on the profit/loss before tax in the profit and loss account, considering any losses carried forward from previous financial years (where not included in deferred income tax assets) and tax-exempt items, and plus non-deductible expenses. The income tax expense can also include the impact of changes in deferred income tax assets and liabilities owing to changes in the applicable tax rates.

The effect of application of the global minimum 15% Tax rate in the region is closely monitored. The company expects to adopt the required changes in line BEPS Pillar 2, and with the local Tax Law changes which will be effective in the Netherlands as of January 2025. Epson applied the mandatory temporary exception not to record any effects from BEPS Pillar Two during financial year 2023/2024. For the financial year 2024/2025 it is estimated that the impact on the financial statements will be negligible.

4. Financial instrumentals and risk management

General

The principal risks arising from the Group's activities are price risks, which comprise currency and interest rate risk, credit risks and cash flow risks. The Group's policy to mitigate these risks is set out below.

4.1 Currency risk

The Group is active in The European Union and CIS, the Middle East and Africa. The Group's currency risk mainly relates to positions in US dollars and British pounds. Based on a risk analysis, Group management determines which part of the currency risks should be hedged. To achieve this, the Group uses (spot and) forward exchange contracts. The Group is further exposed to currency translation risk on its foreign activities outside of euro currency area.

4.2 Interest rate risk

The Group is exposed to interest rate risk on the interest-bearing receivables (mainly time deposits and cash at bank). The Group is exposed to the consequences of variable interest rates on receivables. Based on risk analysis, the management determined that the Group does not require any derivative contracts to hedge the interest risk on receivables.

4.3 Credit risk

The Group's clients are subjected to creditworthiness tests. Sales are subject to payment conditions of between 8 and 90 days. Majority of its trade receivables are covered by credit insurance. For companies which are not covered by the credit insurance, transactions are carried out on Cash with Order basis or a form of guarantee, which is accepted by the banks when requested from the customer. Early discount is given to minimize the credit risk and improve overall cash flow. Therefore, the Group does not have any significant concentrations of credit risk. The maximum credit risk relating to receivables, cash at bank and in hand and financial assets not shown in the balance sheet is disclosed in the notes to the items concerned.

4.4 Cash flow risk

The risk of future cash flows from monetary financial instruments fluctuating is minimal.

The Group uses a selection of banks to be able to use more than one facility. Where necessary, guarantees (note 5.11) and collaterals are granted to banks to secure facilities.

4.5 Liquidity risk

At present there are no issues in terms of liquidity risk. The Group has sufficient cash reserves in the event of a major economic slowdown.

Notes to the consolidated balance sheet

5.1 Intangible fixed assets

Intangible fixed assets are detailed as follows:

<i>in thousands of EUR</i>	Software & licenses	Software under development	Goodwill	Total
At cost	22,225	945	20,408	43,578
Accumulated amortisation	(18,323)	-	(14,025)	(32,348)
Balance as of March 31, 2023	3,902	945	6,383	11,230
<u>Cost:</u>				
Additions	62	598	-	660
Disposal	(1,045)	-	-	(1,045)
Exchange differences	6	-	-	6
	(977)	598	-	(379)
<u>Amortisation:</u>				
Disposal	918	-	-	918
Amortisation	(1,309)	-	(2,041)	(3,350)
Exchange differences	(5)	-	-	(5)
	(396)	-	(2,041)	(2,437)
At cost	21,248	1,543	20,408	43,199
Accumulated amortisation	(18,719)	-	(16,066)	(34,785)
Balance as of March 31, 2024	2,529	1,543	4,342	8,414

Software improvements relate to enhancements to current software owned by the company.

The amortization charge is included in the line item general and administration expenses in the profit and loss account.

The accumulated impairment charges amount EUR 0 as per March 31, 2024 (March 31, 2023: EUR 0).

There are no research and development costs that are not capitalized and included in the profit and loss under general and administration expenses (March 31, 2023: EUR 0 million).

Acquisition of Robustelli and further merger of Robustelli and Fortex.

In July 2016, Epson had acquired 100% ownership in Robustelli. The acquisition was done directly via Epson Italy (EIS), which is a wholly owned subsidiary of Epson Europe B.V. (EEB). The acquisition has been accounted for as described in note 1.5 Mergers and acquisitions. As a result of the acquisition, the fair value of customer lists of Robustelli (fair value per acquisition date: EUR 5.2 million, carrying amount per 31 March 2024: EUR 1.1 million) was recognized under 'software and licenses' and the difference between consideration paid and fair value of assets and liabilities recognized was recognized under goodwill (EUR 18.1 million as per acquisition date).

5.2 Tangible fixed assets

Tangible fixed assets are detailed as follows:

<i>in thousands of EUR</i>	Land and Building	Production, machinery and equipment	Assets in the course of construction	Tools, furniture and fixtures	Total
At cost	59,225	45,487	1,027	34,935	140,674
Accumulated amortization	(39,334)	(31,385)	-	(29,649)	(100,368)
Balance as of March 31, 2023	19,891	14,102	1,027	5,286	40,306
<u>Cost:</u>					
Additions	3,251	363	1,074	4,897	9,585
Disposal	(4,255)	(1,710)	-	(4,166)	(10,131)
Exchange differences	1,105	1,299	30	209	2,643
Transfers	-	942	(942)	-	-
	100	894	162	940	2,096
<u>Amortization:</u>					
Disposal	3,062	1,339	-	4,039	8,440
Amortization	(2,221)	(2,882)	-	(3,304)	(8,407)
Exchange differences	(752)	(911)	-	(116)	(1,779)
Transfers	-	-	-	-	-
	89	(2,454)	-	619	(1,746)
At cost	59,326	46,381	1,189	35,875	142,771
Accumulated amortization	(39,245)	(33,839)	-	(29,030)	(102,114)
Balance as of March 31, 2024	20,081	12,542	1,189	6,845	40,657

The accumulated impairment charges amount EUR 0 as per March 31, 2024 (March 31, 2023: EUR 0).

The construction in progress mostly consists of expenditures relating to the installation and configuration throughout the year of new machinery and equipment in Epson Telford plant.

No rights of pledge have been established on the tangible fixed assets.

The depreciation charge is included in the line items cost of sales (for the category production machinery and equipment) and general and administration expenses (for the categories land and buildings and tools, furniture and fixtures) in the profit and loss account.

5.3 Financial fixed assets

<i>in thousands of EUR</i>	March 31, 2024	March 31, 2023
Pension asset	177	8,488
Deferred tax assets	13,804	5,194
Other non-current receivables	2,147	2,015
Total financial fixed assets	16,128	15,697

Pension asset

Reference is made to note 5.8 of the consolidated financial statement for movement schedule and other disclosures relating to the pension asset.

Movements in other financial fixed assets can be broken down as follows:

<i>in thousands of EUR</i>	Deferred tax assets	Other non-current receivables
Balance as of March 31, 2023	5,194	2,015
Additions	9,456	490
Utilizations	(846)	(358)
Balance as of March 31, 2024	13,804	2,147

Deferred tax assets

The deferred tax assets per March 31, 2024, and March 31, 2023, mainly relate to temporary differences. The increase in current financial year can mainly be explained by the increase carry-forward losses resulting from pension buy-in activity in UK. The total impact on the buy-in transaction has resulted in a cost recognition of approximately 30M EUR in both companies combined. (Please see note 5.8)

Other receivables

Other receivable is a receivable against assurers because of deferred compensation and is long term in nature.

5.4 Inventories

Inventories consist of the following:

<i>in thousands of EUR</i>	March 31, 2024	March 31, 2023
Raw materials	18,846	21,637
Work in progress	3,255	2,758
Finished products and goods for resale	342,954	391,056
Total inventories	365,055	415,451

Inventories gross and provision amounts consist of:

<i>in thousands of EUR</i>	March 31, 2024	March 31, 2023
Gross amount	396,251	438,728
Allowance for obsolescence	(31,196)	(23,277)
Total inventories	365,055	415,451

Inventory obsolescence provision has increased due to certain stock of projectors and business inkjets purchased more than 1 year ago still unsold. In the financial year of 2023/2024 the combined impact of obsolescence devaluation and disposal of old inventory in the income statement was 14.2M EUR. The consolidated inventory value of Cost of Goods Sold in 2023/2024 was 1,371M EUR.

5.5 Receivables

Receivables consist of the following:

<i>in thousands of EUR</i>	March 31, 2024	March 31, 2023
Trade debtors	207,747	214,704
Amounts due from parent company	17,421	23,448
Amounts due from affiliated companies	926	565
Value added taxes ('VAT')	7,114	7,675
Corporate income tax	10,189	1,446
Prepayments and accrued income	11,064	10,566
Other receivables	7,877	5,457
Total receivables	262,338	263,861

Trade debtors consist of:

<i>in thousands of EUR</i>	March 31, 2024	March 31, 2023
Gross amount	208,307	215,228
Allowance for doubtful accounts	(560)	(524)
Total trade debtors	207,747	214,704

5.6 Cash at banks and in hand

The item cash and cash equivalents in the cash flow statement comprises the following:

<i>in thousands of EUR</i>	March 31, 2024	March 31, 2023
Cash at banks and in hand	192,069	166,705

The above cash at banks and in hand is at group's free disposal.

As per March 31, 2024, there are no short-term deposits (March 31, 2023: none).

5.7 Group equity

Equity is explained in more detail in the notes to the company balance sheet.

The movements in group equity are as follows:

<i>in thousands of EUR</i>	Group equity
Balance as of March 31, 2022	326,941
Net result for the year	35,259
Dividends paid	(120,000)
Actuarial gains/(losses) net of deferred tax	(9,040)
Foreign currency translation	(702)
Balance as of March 31, 2023	232,458
Net result for the year	1,551
Dividends paid	-
Actuarial gains/(losses) net of deferred tax	(3,880)
Foreign currency translation	643
Balance as of March 31, 2024	230,772

5.8 Provisions

<i>in thousands of EUR</i>	March 31, 2024	March 31, 2023
Pension liability	-	5,176
Warranties	25,223	27,837
Other non-current provision	12,188	12,757
Other current provision	4,173	2,744
Total provisions	41,584	48,514

The movements in provisions (excluding pension) can be stated as follows:

<i>in thousands of EUR</i>	Warranties	Other non-current provision	Other current provision
Balance as of March 31, 2023	27,837	12,757	2,744
Additions	5,142	1,870	2,656
Utilization	(2,552)	(2,257)	(735)
Release	(5,263)	(215)	(492)
Exchange differences	59	33	-
Balance as of March 31, 2024	25,223	12,188	4,173

Warranties

The warranty provision is intended to cover costs directly relating to warranties provided to the end users of Epson product. A warranty provision is recognised as soon as the products have been delivered to customers. These are mainly short-term in nature, except for some specific products and products with extended warranty, which can have a long-term nature.

Other non-current

The other non-current provision mainly includes a provision for employee benefits, asset retirement obligations (non-current), provision for legal proceeding and deferred income tax liabilities (pertaining to temporary differences on amortization of fair value adjustments on intangible and tangible assets following acquisitions done in the past).

Pension provision

The pension provision relates to pension obligations for the defined benefit schemes. The defined benefit schemes mainly relate to Epson employees in the United Kingdom, specifically in Epson UK Ltd (EUL), Epson Telford Ltd (ETL) and Epson Europe B.V. UK Branch.

There are also smaller defined benefit schemes in:

- a) Epson Europe B.V. in the Netherlands (new contributions are frozen and the fund is fully insured with no further liability risk to the company). This plan has net zero movements in interest income/expense, actuarial losses/gains and benefits paid.
- b) Epson Europe Electronics GmbH (EEG) in Germany.

The amount recognised as a defined benefit liability consists of the present value of the defined benefit obligation minus the fair value at the balance sheet date of plan assets. In March 2024 the group executed a pension buy in transaction for both UK companies for a total amount of 22.1M EUR. The buy-in transaction resulted in a release of net pension obligation balances. The total impact on the combined income statement was about 30M EUR. The group is committed to follow-up with a pension buy-out transaction, which is estimated to take place within 1 year.

The amounts recognised in the balance sheet are determined as follows:

<i>in thousands of EUR</i>	March 31, 2024	March 31, 2023
Present value of defined benefit obligations	126,496	119,386
Fair value of plan assets	(126,673)	(122,698)
Net liability/(asset) arising from defined benefit obligation	(177)	(3,312)
<i>Provision</i>	-	5,176
<i>Financial fixed assets</i>	(177)	(8,488)

As per March 31st 2024, the non-UK part of defined benefit obligations and plan assets was both about 23.1M EUR (net zero liability/asset).

The movement in the net defined benefit liability recognised in the balance sheet as provision for ETL, EEB Netherlands and EEG is as follows:

<i>in thousands of EUR</i>	Pension obligations	Plan assets	Net
Balance as of March 31, 2023	64,840	(59,664)	5,176
Interest costs/(income)	2,977	(2,597)	380
Administrative expenses	-	754	754
Pension buy-In settlement	-	9,222	9,222
Contribution paid	-	(16,856)	(16,856)
Benefits paid	(2,047)	2,034	(13)
Actuarial losses/(gains)	583	783	1,366
Reclassification other accounts	2,761	(3,124)	(363)
Foreign exchange differences	1,391	(1,234)	157
Balance as of March 31, 2024	70,505	(70,682)	(177)

The movement in the net defined benefit asset recognised in the balance sheet as financial fixed asset (reference is made to note 5.3) is as follows for EUL:

<i>in thousands of EUR</i>	Pension obligations	Plan assets	Net
Balance as of March 31, 2023	54,546	(63,034)	(8,488)
Interest costs/(income)	2,653	(2,929)	(276)
Pension buy-in settlement	17,136	-	17,136
Contribution paid	-	(12,488)	(12,488)
Benefits paid	(18,567)	18,567	-
Actuarial losses/(gains)	(1,420)	5,794	4,374
Foreign exchange differences	1,644	(1,901)	(257)
Balance as of March 31, 2024	55,991	(55,991)	(0)

Sensitivity Analysis

Expected affecting amount when expected discount rate (in thousands of euros):

March 31, 2024	Expected affecting amount when expected discount rate increases by 1%	Expected affecting amount when expected discount rate decreases by 1%
Liability on Defined Benefit Plan	(17,895)	(17,680)

The amounts recognised in the profit and loss account are as follows:

<i>in thousands of EUR</i>	2023/2024	2022/2023
Interest costs	104	(248)
Gain/(loss) on buy-in settlement	26,358	
Administrative expenses	754	415
Total pension expenses	27,216	167

The breakdown of plan assets is the following (EEB Netherlands amount for Others is about 20M EUR per March 31st, 2024):

<i>in thousands of EUR</i>	March 31, 2024	March 31, 2023
Bonds	-	6,241
Property	-	3,071
Cash and deposit	537	12,459
Mixed funds	-	81,626
Others	126,136	19,301
Total fair value of plan assets	126,673	122,698

The principal actuarial assumptions used for the defined benefit schemes in United Kingdom were as follows:

	March 31, 2024	March 31, 2023
Discount Rate	4.90%	4.80%
Future salary increases	3.15%	3.25%
Future pension increases	3.15%	3.25%

For the Netherlands, the discount rate was 3.2% per March 31st 2024 (3.3% per March 31st 2023).

For the EEB Netherlands, ETL and EUL defined benefit plans, the company does not expect to pay any premiums anymore for the coming years, therefore the cashflow from the company to these funds is expected to be zero. For ETL and EUL, the group is committed to follow-up with a pension buy-out transaction, which is estimated to take place within 1 year.

5.9 Non-current liabilities

Non-current liabilities comprise the following:

<i>in thousands of EUR</i>	March 31, 2024	March 31, 2023
Long term deferred income	25,748	24,641
Total non-current liabilities	25,748	24,641

The movements in non-current liabilities can be stated as follows:

<i>in thousands of EUR</i>	Long term deferred income
Balance as of March 31, 2023	24,641
Additions	3,897
Release	(1,826)
Reclassification to current liabilities	(1,017)
Exchange differences	53
Balance as of March 31, 2024	25,748

5.10 Current liabilities

Current liabilities comprise the following:

<i>in thousands of EUR</i>	March 31, 2024	March 31, 2023
Trade payables	8,267	9,286
Accounts payable to parent company	205,989	215,493
Accounts payable to affiliated companies	1,747	1,328
Rebates	109,897	118,560
VAT payables	15,460	20,906
Other payables	37,927	38,345
Corporate tax	4,656	10,664
Wage tax and social securities	7,216	6,833
Bonus accruals	7,065	6,838
General accruals	24,300	29,724
Deferred income	18,820	18,454
Short-Term loans payable to parent company	140,000	130,000
Other current liabilities	5,213	1,206
Total current liabilities	586,557	607,637

Interest bearing liabilities relate to cash pooling with subsidiaries and are using EURIBOR 3M + 50p interest rates.

5.11 Contingencies and commitments

Long term financial obligations

Rental, operating leases and other commitments entered with third parties' amount to approximately EUR 52.6 million (31 March 2023: EUR 67.5 million).

The maturity date of these commitments can be broken down as follows:

<i>in millions of EUR</i>	March 31, 2024	March 31, 2023
With a term of less than to one year	17.5	19.1
With a term of one to five years	29.7	44.3
With a term of more than five years	5.4	4.1
Total contingencies and commitments	52.6	67.5

The rental charges, which are operating lease expenses for the year amounted to EUR 24 million (31 March 2023: EUR 21 million).

Cash management arrangements

The company and certain group companies entered cash management arrangements with selected group banks. The company also guarantees the payment of debt within the EUR and GBP cash pools for all participating group companies.

Belgium Copyrights

Reprobel is a cooperative society in Belgium appointed by Royal Decree to collect and distribute copyright levies (a reprographic fee for copiers and similar devices with at least a copying or scanning function). Copyright levies were paid by the company - as of 2008 as "importer" according to an agreement with Reprobel - based on copy speed in the normal mode of the devices. However, Reprobel disputes the amount of levies paid and claims that the company should have used the copy mode in draft speed (which is higher and would result in higher fees), being the base for the tariff to be paid. Epson was anticipating Reprobel to file summons against Epson at the same Dutch speaking chamber of the Brussels' Court of First Instance that ruled favourably for Reprobel in the DELL case (confirming that copy speed in draft mode should be the criterion for determining the copyright levies), and as a defence filed a 'counterclaim' against Reprobel at the French speaking chamber of the Brussels' Court of First Instance, before Reprobel's summons were served to Epson.

On 2 July 2012 the Court of First Instance dismissed Epson's case, while accepting Reprobel's claims and ordered Epson to pay the provisional amount of 1 EUR. This is just a formal order, the full amount that Epson would have to pay would still have to be determined. Reprobel still have not formally served the judgement on us and cannot enforce it until they do so. There is no time limit for this – they could delay service for one or more years. Our time limit for filing an appeal would only start then. In parallel to the Epson action, HP also brought similar proceedings against Reprobel. They had some limited success at first instance but did not win outright. HP and Reprobel both appealed to the Belgian Court of Appeal. The Court of Appeal identified several questions on which it wished to get an opinion from the Court of Justice of the European Union (CJEU)– concerning whether the relevant Belgian law conformed to EU law. Epson obtained approval from the Belgian Court to 'intervene' in the HP case and made representations in support of HP to the CJEU. The CJEU decision (case C-572/13 Hewlett-Packard Belgium vs. Reprobel) was delivered in November 2015 and ruled about the incompatibility of the Belgian reprography levy collection system with the EU Copyright Directive. The CJEU decision was very helpful for HP, Epson and other printer companies. Based on this CJEU decision, no provision was recognized by Epson.

Following the CJEU decision, the HP case went back to the Belgian Court of Appeal for a decision. Coherent to the intervention in the HP case at the CJEU, Epson did prepare short written briefs – basically confirming that the Belgian copyright levies legislation should be considered null and void- to assist HP in their case. These briefs were filed on 28 February 2016. Hearings took place in October 2016. The Court of Appeal delivered a ruling on 12 May 2017. It dismissed HP's claims claiming that the EU Copyright Directive upon which HP (and Epson) relied lacked the direct effect for national courts to enforce it. The Court of Appeal then applied the Belgian Royal Decree. An expert has been appointed to establish the objective copy speed of all equipment that HP put on the Belgian market from 23 December 2002 to 10 March 2017. The expert was also asked to reconcile parties, if possible. Both HP and Epson have lodged an appeal before the Supreme Court against the ruling of the Court of Appeal dated 12 May 2017 arguing that the Court of Appeal misapplied the CJEU ruling. In September 2020 the Belgian Supreme Court rejected HP's (and Epson's) arguments. The case was then returned to the Court of Appeal again where the expert was yet to issue a final report in that procedure.

It should be noted that the decision of the Supreme Court was rendered in the case of HP to which Epson had intervened. It does not discard the proceedings in Epson's case against Reprobel.

However, in the meantime HP and Reprobel have reached a settlement in this matter. Therefore, this case can formally be considered closed. Since Epson only intervened in the case on a voluntary basis and no direct claims were made against Epson by Reprobel, this "joint case" is also formally closed for Epson.

Epson's own case against Reprobel remained unchanged.

Bank facilities and guarantees

The Group has available bank facilities with a maximum amount of EUR 75 million (31 March 2023: EUR 51 million).

UK Pension

In June 2023, the High Court handed down a decision in the case of Virgin Media Limited v NTL Pension Trustees II Limited and others relating to the validity of certain historical pension changes due to the lack of actuarial confirmation required by law. The Court ruled that amendments made without the required 'section 37 confirmation' are not valid. Therefore, any changes made by the trustees to a UK scheme between 1997 and 2016 without this certification could be invalid. Our advisors believe there is nothing for the company to do at the present time. Following the appeal in June, if it is later determined that there would be a consequence for the schemes, this would need to be resolved before the buy-out. However, it is important to note that the Trustee's legal advisors did not identify any such issues before the buy-in. At the point of completing this report the court ruling on the Virgin Media case was not yet concluded. Furthermore, it must be considered that our expectation is that the risk for the company is remote.

6. Notes to the consolidated profit and loss account

6.1 Revenue

The breakdown of revenue by geographical area is as follows:

<i>in thousands of EUR</i>	2023/2024	2022/2023
The Netherlands	106,017	103,791
European Union	1,411,165	1,392,679
CIS	18,662	23,042
Middle East & Africa	294,772	308,803
Other	85,085	238,311
Total revenue	1,915,701	2,066,626

The breakdown of revenue by category is as follows:

<i>in thousands of EUR</i>	2023/2024	2022/2023
Trade activities	1,858,745	2,013,791
Rendering of services	56,956	52,835
Total revenue	1,915,701	2,066,626

6.2 General and administration expenses

The general and administration expenses include wages and salaries, and social security costs. These can be broken down as follows:

<i>in thousands of EUR</i>	2023/2024	2022/2023
Wages and salaries	157,206	149,907
Social security charges	29,064	27,743
Pension expenses *	40,798	10,895
Other general and administrative expenses	130,214	115,391
Total general and administration expenses	357,282	303,936

* Including Pension Buy-in (30M Eur)

Wages and salaries

The average number of personnel employed by the company and its consolidated group companies during the year ended 31 March 2024 was 2,442 (2022/2023: 2,448). The number of employees employed outside the Netherlands was 2,234 (2022/2023: 2,241).

These average number of employees are from the following departments:

	2023/2024	2022/2023
Sales and marketing	1,438	1,356
Manufacturing	366	367
Technical	87	283
Administration and finance	550	442
Total average number of employees	2,442	2,448

Pension expenses

<i>in thousands of EUR</i>	2023/2024	2022/2023
Pension expenses defined benefit schemes	30,328	418
Pension expenses contribution schemes	10,470	10,477
Total general and administration expenses	40,798	10,895

General and administrative expenses

The general and administrative expenses for the financial year under review include depreciation and amortisation charges EUR 8 million (2022/2023: EUR 8 million). This amount includes amortisation of goodwill of EUR 2 million (2022/2023: EUR 2 million).

6.3 Financial income and expenses

<i>in thousands of EUR</i>	2023/2024	2022/2023
Interest income	5,191	817
Interest expense	(5,304)	(2,079)
Pension benefit interest cost	(104)	249
Exchange rate differences	2,171	334
Other finance costs	(7)	-
Total financial income and expenses	1,947	(679)

6.4 Taxation

The taxation on result on ordinary activities amounting to EUR 3.7 million can be specified as follows:

<i>in thousands of EUR</i>	2023/2024	2022/2023
Result from ordinary activities before taxation	(2,124)	55,010
Current taxes	(3,326)	(15,828)
Deferred taxes	7,001	(3,923)
Total taxation on result	3,675	(19,751)
Local tax rate in the Netherlands	25.8%	25.8%

Effective tax rate reconciliation

<i>in thousands of EUR</i>	2023/2024	2022/2023
Result from ordinary activities before taxation	(2,124)	55,010
Standard Income Tax at Dutch tax rate (25.8%)	548	(14,193)
Permanent differences	(3,448)	(2,792)
Corporate tax in past taxable years	3,106	(395)
Previously unrecognized tax losses	4,308	-
Effect of differences with local tax rates	(1,131)	(1,458)
Others	292	(913)
Total taxation on result	3,675	(19,751)

The applicable tax rate is based on the relative proportion of the group companies' contribution to the result and the tax rates prevailing in the countries concerned. The taxable result has been calculated based on the pre-tax income whereby permanent and temporary differences have been considered.

A tax ruling with the Dutch Tax Authorities has been agreed. In essence, the ruling is with the Dutch Tax Authorities to avoid any issues with generating sufficient taxable profits. Should there be insufficient profit, the tax charge will – as a minimum – amount to a certain percentage of the net sales, with different percentages applicable to the European sales companies (ESC) sales and sales via the branches (which are mainly located in geographical areas serving emerging markets). Corporate tax in past taxable years movement is based on final assessments received in FY23 from Dutch tax office.

The amount of deferred taxes processed through equity is EUR 1.1 million (2022/2023: EUR 3.0 million).

7. Supplementary information

7.1 Related parties

Purchases of goods are mainly from the parent company for an amount of EUR 1.2 billion (2022/2023: EUR 1.3 billion). Transfer Pricing policies are in place to ensure that the remuneration on the goods purchased is at arm's length over a period of time. The Group accounted for sales to the parent company amounting to EUR 86 million (2022/2023: EUR 78 million). These sales were at arm's length.

7.2 Subsequent events

The company has decided to establish a new Sales company in the Middle East region. The new Epson sales company is expected to start operation in FY24 and will continue to manage the ME & Africa Business under direct control of the ultimate parent Seiko Epson Corporation. Approximately 16% of the respective regional business and operations currently managed by Epson Europe B.V. will be transferred to the new ME & Africa Sales company.

There were no other material non-adjusting subsequent events.

Company balance sheet as of 31 March 2024

(Before appropriation of result)

<i>in thousands of EUR</i>	Reference	March 31, 2024	March 31, 2023
<i>Assets</i>			
Fixed assets		146,258	121,538
Intangible Fixed Assets	2.1	2,652	2,635
Tangible Fixed Assets	2.1	2,298	2,032
Financial Fixed Assets	2.2	141,308	116,871
Current assets		674,186	756,303
Inventories	2.3	319,202	364,272
Receivables	2.4	197,267	243,755
Cash at banks and in hand	2.5	157,717	148,276
Total assets		820,444	877,841
<i>Equity and Liabilities</i>			
Group equity	2.6	230,772	232,458
Share capital		95,000	95,000
Share premium		478	478
Other reserves		145,730	114,351
Foreign currency translation reserve		(11,987)	(12,630)
Result of the year		1,551	35,259
Provisions	2.7	10,459	13,146
Non-current liabilities	2.8	5,308	4,723
Current liabilities	2.9	573,905	627,514
Total liabilities and group equity		820,444	877,841

Company profit and loss account for the year ended 31 March 2024

<i>in thousands of EUR</i>	Reference	2023/2024	2022/2023
Share in results of group companies	2.2	(787)	17,702
Other results after taxation		2,338	17,557
Net result of the year		1,551	35,259

Notes to the company financial statements

1. Summary of significant accounting policies

Apart from the accounting policy stated below, the significant accounting policies followed in the preparation of these financial statements concur with those set out in the Notes to the consolidated financial statements.

1.1 Investments in group companies

Investments in which the company exercises decisive control or significant influence are stated at net asset value. The company is considered to exercise significant influence if it holds at least 20% of the voting rights.

Net asset value is calculated using the accounting policies applied in these financial statements. Asset revaluations of investments in group companies are recognised in the revaluation reserve. Investments whose financial information cannot be aligned to these policies are valued based on their own accounting policies. Investments with an equity deficit are carried at nil. A provision is formed if and when Epson Europe B.V. is fully or partially liable for the debts of the investments or has the firm intention to allow the participating interest to pay its debts. Dividend received from investments in group companies is deducted from the carrying amount.

Investments acquired are initially measured at the fair value of the identifiable assets and liabilities upon acquisition. Any subsequent valuation is based on the accounting policies that apply to these financial statements, taking into account the initial valuation.

Investments in which no significant influence can be exercised are recognised at cost. If an asset qualifies as impaired, it is measured at its impaired value; any write-offs are recorded in the profit and loss account.

2. Notes to the balance sheet and profit and loss account

2.1 Intangible and Tangible fixed assets

Intangible fixed assets are detailed as follows:

<i>in thousands of EUR</i>	Software & licenses	Software under development	Total
At cost	12,149	945	13,094
Accumulated amortisation	(10,459)	-	(10,459)
Balance as of March 31, 2023	1,690	945	2,635
<u>Cost:</u>			
Additions	-	598	598
Disposal	(907)	-	(907)
	(907)	598	(309)
<u>Amortisation:</u>			
Disposal	908	-	908
Amortisation	(582)	-	(582)
	326	-	326
At cost	11,242	1,543	12,785
Accumulated amortisation	(10,133)	-	(10,133)
Balance as of March 31, 2024	1,109	1,543	2,652

The research and development costs that are not capitalized and which are included in the company profit and loss account under other results after taxation has a total amount of EUR 0 million (March 31, 2023: EUR 0 million).

Tangible fixed assets are detailed as follows:

<i>in thousands of EUR</i>	Land and Building	Other	Total
At cost	2,730	10,729	13,459
Accumulated amortisation	(1,970)	(9,457)	(11,427)
Balance as of March 31, 2023	760	1,272	2,032
Cost:			
Additions	266	1,139	1,405
Disposal	(2)	(1,410)	(1,412)
Exchange differences	(11)	(7)	(18)
	253	(278)	(25)
Amortisation:			
Disposal	1	1,380	1,381
Amortisation	(281)	(837)	(1,118)
Exchange differences	20	8	28
	(260)	551	291
At cost	2,983	10,451	13,434
Accumulated amortisation	(2,230)	(8,906)	(11,136)
Balance as of March 31, 2024	753	1,545	2,298

2.2 Financial fixed assets

Financial fixed assets consist of the following:

<i>in thousands of EUR</i>	March 31, 2024	March 31, 2023
Investment in Group Companies	139,885	116,069
Deferred tax assets	436	257
Other non-current receivables	987	545
Total financial fixed assets	141,308	116,871

Investments in group companies

Investments in group companies represent the company's shares in group companies.

The shares in group companies relate to:

	Place of incorporation	Shareholding %	
		<u>2023/2024</u>	<u>2022/2023</u>
Epson Deutschland GmbH	Düsseldorf, Germany	100	100
Epson Europe Electronics GmbH	Munich, Germany	100	100
Epson France S.A.	Levallois-Perret, France	100	100
Epson Telford Ltd	Telford, United Kingdom	100	100
Epson (U.K.) Ltd	Hertfordshire, United Kingdom	100	100
Epson Ibérica S.A.	Barcelona, Spain	100	100
Epson Italia S.p.A.	Milan, Italy	100	100
Epson CIS*	Moscow, Russia	100	100
Epson Subscription Europe B.V.	Amsterdam, The Netherlands	100	100

*This company's activities have ceased

The movements in investments in group companies were as follows:

<i>in thousands of EUR</i>	2023/2024	2022/2023
Opening balance	116,069	123,254
Capital contribution	43,730	-
Decrease due to dividend of group companies	(16,191)	(14,803)
Share in results of group companies	(787)	17,702
Actuarial gains and losses of group companies, net of deferred tax	(3,880)	(9,040)
Foreign exchange results of group companies	1,009	(1,044)
Other movement	(65)	-
Closing balance	139,885	116,069

As of March 31, 2023, EUL had a negative equity and therefore the carrying amount of this investment was recognized at nil and consequently movements in the equity of EUL including the result for the year, foreign currency translation results and actuarial results were not added or deducted from the carrying amount of the investment. Epson Europe B.V. had committed to provide EUL with the necessary cash liquidity to fulfil its financial obligations if necessary. A provision was recognized as per March 31, 2023, reflecting the expected related future financial obligations of Epson Europe B.V. In March 2024, Epson Europe B.V. injected about 27.3M EUR capital into EUL to finance the pension buy-in. This has turned EUL equity to a positive number per March 31st, 2024. The total capital contribution includes also 16.4M EUR capital investment in ETL, amounting to a total contribution of 43.7M EUR.

Deferred tax assets

Deferred tax assets relate to temporary differences. An amount of EUR 0.5 million (2022/2023: EUR 0.3 million) is expected to be recovered within one year.

2.3 Inventories

Inventories consist of the following:

<i>in thousands of EUR</i>	March 31, 2024	March 31, 2023
Finished products and goods for resale	319,202	364,272
Total inventories	319,202	364,272

Inventories gross and provision amounts consist of:

<i>in thousands of EUR</i>	March 31, 2024	March 31, 2023
Gross amount	342,632	380,374
Allowance for obsolescence	(23,430)	(16,102)
Total inventories	319,202	364,272

2.4 Receivables

Receivables consist of the following:

<i>in thousands of EUR</i>	March 31, 2024	March 31, 2023
Amounts due from parent company	990	1,677
Amounts due from group companies	92,054	137,942
Trade debtors	61,013	62,599
Value added taxes ('VAT')	2,920	4,322
Interest bearing receivables from group companies	21,460	27,909
Corporate income tax	8,583	-
Prepayments and accrued income	7,976	7,398
Other receivables	2,271	1,908
Total receivables	197,267	243,755

Trade debtors consist of:

<i>in thousands of EUR</i>	March 31, 2024	March 31, 2023
Gross amount	61,032	62,618
Allowance for doubtful accounts	(19)	(19)
Total trade debtors	61,013	62,599

2.5 Cash at banks and in hand

Cash and bank balances consist of the following:

<i>in thousands of EUR</i>	March 31, 2024	March 31, 2023
Cash at banks and in hand	157,717	148,276

The above cash at banks and in hand is at company's free disposal.

As per March 31, 2024, there are no short-term deposits (March 31, 2023: none).

2.6 Shareholder's equity

The movements in shareholder's equity are as follows:

<i>in thousands of EUR</i>	Share capital	Share premium	Other reserves	Foreign currency translation reserve	Result for the Year	Total
Balance as of March 31, 2022	95,000	478	207,900	(11,928)	35,491	326,941
Appropriation of result	-	-	35,491	-	(35,491)	-
Net result for the year	-	-	-	-	35,259	35,259
Dividends to shareholders	-	-	(120,000)	-	-	(120,000)
Actuarial gains/(losses) subsidiaries, net of deferred tax	-	-	(9,040)	-	-	(9,040)
Foreign currency translation of the branches	-	-	-	342	-	342
Foreign currency translation of Subsidiaries	-	-	-	(1,044)	-	(1,044)
Balance as of March 31, 2023	95,000	478	114,351	(12,630)	35,259	232,458
Appropriation of result	-	-	35,259	-	(35,259)	-
Net result for the year	-	-	-	-	1,551	1,551
Dividends to shareholders	-	-	-	-	-	-
Actuarial gains/(losses) subsidiaries, net of deferred tax	-	-	(4,193)	-	-	(4,193)
Other movements	-	-	313	-	-	313
Foreign currency translation of the branches	-	-	-	(366)	-	(366)
Foreign currency translation of Subsidiaries	-	-	-	1,009	-	1,009
Balance as of March 31, 2024	95,000	478	145,730	(11,987)	1,551	230,772

The share capital of the company is as follows:

<i>in thousands of EUR</i>	March 31, 2024	March 31, 2023
<i>Authorised</i> 170,000,000 shares of EUR 1 each	170,000	170,000
<i>Issued and paid-in</i> 95,000,000 shares of EUR 1 each	95,000	95,000

Proposed appropriation of the net result for the year

The Directors of the Company propose to add the net result for the year to other reserves. This proposal has not been reflected in these financial statements.

2.7 Provisions

<i>in thousands of EUR</i>	March 31, 2024	March 31, 2023
Warranties	6,899	8,367
Other provision	3,560	2,085
Provision for subsidiaries	-	2,694
Total provisions	10,459	13,146

The movements in provisions can be stated as follows:

<i>in thousands of EUR</i>	Warranties	Other	Provision for negative equity	Total
Balance as of March 31, 2023	8,367	2,085	2,694	13,146
Additions	-	2,049	-	2,049
Usage	(1,469)	(574)	(2,694)	(4,737)
<i>Usage</i>	(1,469)	-	-	(1,469)
<i>Release</i>	-	(574)	(2,694)	(3,268)
Other	1	-	-	1
Balance as of March 31, 2024	6,899	3,560	-	10,459

The warranty and other provisions are mainly short term in nature.

The provision for negative equity EUL is settled due to the capital contribution, because EUL's equity was positive as of March 31st, 2024.

2.8 Non-current liabilities

Non-current liabilities comprise the following:

<i>in thousands of EUR</i>	March 31, 2024	March 31, 2023
Long term deferred income	5,308	4,723
Total non-current liabilities	5,308	4,723

The movements in non-current liabilities can be stated as follows:

<i>in thousands of EUR</i>	Long term deferred income
Balance as of March 31, 2023	4,723
Additions	589
Decrease	(4)
Balance as of March 31, 2024	5,308

2.9 Current liabilities

Current liabilities comprise the following:

<i>in thousands of EUR</i>	March 31, 2024	March 31, 2023
Trade payables	1,753	1,492
Accounts payable to parent company	196,242	197,030
Accounts payable to group companies	5,341	3,736
Rebates	26,536	24,664
VAT payables	7,055	11,367
Other payables	12,092	14,151
Corporate tax	-	6,599
Wage tax and social securities	3,462	3,160
Bonus accruals	3,106	3,179
General accruals	11,662	16,499
Deferred income	4,334	4,026
Interest bearing liabilities	301,326	341,315
Other current liabilities	996	296
Total current liabilities	573,905	627,514

Interest bearing liabilities relate to cash pooling with subsidiaries and are using EURIBOR 3M + 50p interest rates.

2.10 Audit fees for the group

The following audit fees were expensed by Ernst & Young Accountants LLP and other Ernst & Young in the profit and loss account in the reporting period:

<i>in thousands of EUR</i>	2023/2024			2022/2023		
	Ernst & Young Accountants LLP	Other	Ernst & Young	Ernst & Young Accountants LLP	Other	Ernst & Young
Audit services	747		640	746		610
Tax advisory services	-		828	-		447
Other assurance procedures	-		-	-		-
Non-assurance related fees	10		365	-		33
Total	757		1,833	746		1,090

2.11 Headcount

The average number of employees in EEB during the year ended in March 2024 was 1,061 (2022/2023: 882).

	2023/2024	2022/2023
Sales and marketing	693	565
Technical	77	82
Administration and finance	290	235
Total employees	1,060	882

The increase in employees is due to the preparation in separating the Middle East and Africa activities (see note 7.2)

3. Supplementary information

3.1 Contingencies and commitments

Long term financial obligations

Rental, operating lease and other commitments entered with third parties' amount to approximately EUR 31.4 million.

The maturity date of these commitments can be broken down as follows:

<i>in millions of EUR</i>	March 31, 2024	March 31, 2023
With a term of less than to one year	12.1	10.8
With a term of one to five years	20.1	30.7
With a term of more than five years	(0.8)	-
Total contingencies and commitments	31.4	41.5

Cash management arrangements

The company and certain group companies entered cash management arrangements with selected group banks. The company also guarantees the payment of debt within the EUR and GBP cash pools for all participating group companies.

Belgium Copyrights

Reference is made to note 5.11 of the consolidated financial statements for further details.

Bank guarantees

The Company also has available bank facilities with a maximum amount of EUR 75 million (March 31, 2023: EUR 51 million).

3.2 Financial instruments

Epson Europe B.V. is the only company in the group with commitments from derivative financial instruments. Reference is therefore made to Note 2.15 to the consolidated financial statements.

3.3 Directors' remuneration

The amount required to be disclosed, as referred to in Article 383.1, Part 9, Book 2 of the Netherlands Civil Code, for the remuneration of the Board of Directors amounts to EUR 523 thousand (2022/2023: EUR 429 thousand). The supervisory board members do not receive any remuneration from Epson Europe B.V. Due to the average time spent by the supervisory board members on Epson Europe B.V., management does not present an amount relating to directors' remuneration, which management considers materially in line with the pro-rata approach of disclosing the supervisory board's remuneration.

3.4 Subsequent events

Please refer to note 7.2.

Amsterdam, 26 July 2024

The Board of Managing Directors,

takanori inaho
takanori inaho (Aug 21, 2024 14:59 GMT+2)

T. Inaho

藤井啓輔

K. Fujii

Junkichi Yoshida
Junkichi Yoshida (Aug 20, 2024 01:45 GMT+9)

J. Yoshida

The Board of Supervisory Directors,

Masaharu Mizukami
Masaharu Mizukami (Aug 21, 2024 08:25 GMT+9)

M. Mizukami

Akihiro Fukaishi
Akihiro Fukaishi (Aug 19, 2024 13:45 GMT+9)

A. Fukaishi

Eiichi Abe
Eiichi Abe (Aug 19, 2024 12:21 GMT+9)

E. Abe

Other information

Profit appropriation according to the Articles of Association

Article 19 of the company's Articles of Association provides that the net result for the year shall be at the disposal of the Shareholder at the General Meeting.

Branches and Representative Offices

Branches and Representative offices are located in:

<u>Country:</u>	<u>Trade Name:</u>
Benelux	Epson Europe B.V. - Zaventem
Czech Republic	Epson Europe B.V. - organizacni slozka
Denmark	Epson Denmark, Filial Af Epson Europe B.V.
Finland	Epson Europe B.V. - Suomen Sivuliike
Hungary	Epson Europe B.V. - Magyarorszagi Fiolktelepe
Israel	Epson Europe B.V. – Israel
Kazakhstan	Epson Europe B.V. – Almaty
Kenya	Epson Europe B.V. – Nairobi
Lithuania	Epson Europe B.V. Lietuvos filialas
Morocco	Epson Europe B.V. – Casablanca
Norway	Epson Europe B.V. Norway Branch
Nigeria	Epson Europe B.V. – Lagos
Poland	Epson Europe B.V. Oddzial w Polsce
Romania	Epson Europe B.V. Amsterdam Sucursala București
Saudi Arabia	Epson Europe B.V. – Riyadh
South Africa	Epson Europe B.V. Incorporated (in the Netherlands)
Switzerland	Epson Europe B.V, Amsterdam (Pays-Bas), Succursale de Marly
Sweden	Epson Europe B.V. - Filial Sverige
Ukraine	Epson Europe B.V. – Kiev
UK	Epson Europe B.V. UK Office
UAE	Epson Europe B.V. Middle East Office

Independent auditor's report

The independent auditor's report is included in the next pages.

Independent auditor's report

To: the shareholder and the board of supervisory directors of Epson Europe B.V.

Report on the audit of the financial statements 31 March 2024 included in the annual report

Our opinion

We have audited the financial statements for the financial year ended 31 March 2024 of Epson Europe B.V. based in Amsterdam.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Epson Europe B.V. as at 31 March 2024 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- ▶ The consolidated and company balance sheet as at 31 March 2024
- ▶ The consolidated and company profit and loss account for the year then ended
- ▶ The notes comprising a summary of the accounting policies and other explanatory information

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the Our responsibilities for the audit of the financial statements section of our report.

We are independent of Epson Europe B.V. (the company) in accordance with the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information in support of our opinion

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The following information in support of our opinion and any findings were addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

Our focus on fraud and non-compliance with laws and regulations

Our responsibility

Although we are not responsible for preventing fraud or non-compliance and we cannot be expected to detect non-compliance with all laws and regulations, it is our responsibility to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether caused by fraud or error.

Our audit response related to fraud risks

We identified and assessed the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of the company and its environment and the components of the system of internal control, including the risk assessment process and the board of managing directors' process for responding to the risks of fraud and monitoring the system of internal control and how the board of supervisory directors exercises oversight, as well as the outcomes.

We refer to section Main risks of the directors report for the board of managing directors' (fraud) risk assessment.

We evaluated the design and relevant aspects of the system of internal control and in particular the fraud risk assessment, as well as the code of business ethics and whistle blower procedures. We evaluated the design and the implementation of internal controls designed to mitigate fraud risks.

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption. We evaluated whether these factors indicate that a risk of material misstatement due to fraud is present.

We incorporated elements of unpredictability in our audit. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance.

We addressed the risks related to management override of controls, as this risk is present in all companies. For these risks we have performed procedures among other things to evaluate key accounting estimates for management bias that may represent a risk of material misstatement due to fraud, in particular relating to important judgment areas and significant accounting estimates as disclosed in Note 1.7 to the financial statements. We have also used data analysis to identify and address high-risk journal entries and evaluated the business rationale (or the lack thereof) of significant extraordinary transactions, including those with related parties.

When identifying and assessing fraud risks we presumed that there are risks of fraud in revenue recognition. We considered among others the company's bonus plan of top management, tested the timing of transfer of risks & rewards for transactions of recognized revenue in close to balance sheet date and assessed credit memos recorded after balance sheet date. We designed and performed our audit procedures relating to revenue recognition responsive to this presumed fraud risk.

Additionally, in order to respond to the risk of management override of controls related to understating expenses in order to improve operating result, we specifically performed a search for unrecorded liabilities in order to test the completeness of expenses. We also performed specific journal entry testing procedures in order to respond to the identified risk.

We considered available information and made enquiries of relevant executives, directors, internal audit, legal, human resources and local finance managers.

The fraud risks we identified, enquiries and other available information did not lead to specific indications for fraud or suspected fraud potentially materially impacting the view of the financial statements.

Our audit response related to risks of non-compliance with laws and regulations

We performed appropriate audit procedures regarding compliance with the provisions of those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. Furthermore, we assessed factors related to the risks of non-compliance with laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general industry experience, through discussions with the management board, reading minutes, inspection of internal audit reports, and performing substantive tests of details of classes of transactions, account balances or disclosures.

We also inspected lawyers' letters and correspondence with regulatory authorities and remained alert to any indication of (suspected) non-compliance throughout the audit. Finally, we obtained written representations that all known instances of non-compliance with laws and regulations have been disclosed to us.

Our audit response related to going concern

As disclosed in section Going concern in Note 2.1 General information to the financial statements have been prepared on a going concern basis. When preparing the financial statements the board of managing directors made a specific assessment of the company's ability to continue as a going concern and to continue its operations for the foreseeable future.

We discussed and evaluated the specific assessment with the board of managing directors exercising professional judgment and maintaining professional skepticism.

We considered whether the board of managing directors' going concern assessment, based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, contains all relevant 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.

Based on our procedures performed, we did not identify material uncertainties about going concern. 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 a company to cease to continue as a going concern.

Report on other information included in the annual report

The annual report contains other information in addition to the financial statements and our auditor's report thereon.

Based on the following procedures performed, we conclude that the other information:

- ▶ Is consistent with the financial statements and does not contain material misstatements
- ▶ Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code for the management report and the other information as required by Part 9 of Book 2 of the Dutch Civil Code

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

The board of managing directors is responsible for the preparation of the other information, including the management report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information required by Part 9 of Book 2 of the Dutch Civil Code.

Description of responsibilities regarding the financial statements

Responsibilities of the board of managing directors and the board of supervisory directors for the financial statements

The board of managing directors is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the board of managing directors is responsible for such internal control as the board of managing directors determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the board of managing directors is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, the board of managing directors should prepare the financial statements using the going concern basis of accounting unless the board of managing directors either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The board of managing directors should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The board of supervisory directors is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

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. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. The Information in support of our opinion section above includes an informative summary of our responsibilities and the work performed as the basis for our opinion. Our audit included among others:

- ▶ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining 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
- ▶ Obtaining 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
- ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of managing directors
- ▶ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- ▶ Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

Communication

We communicate with the board of supervisory directors and board of managing directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

Amsterdam, 26 July 2024

EY Accountants B.V

signed by T. Wiffrie