

**Annual report for the year ended  
31 March 2020  
Epson Europe B.V.  
Amsterdam**

## Contents

<b>Director's report</b>	<b>3</b>
<b>Financial Statements</b>	
Consolidated financial statements	15
Consolidated balance sheet as at 31 March 2020	16
Consolidated profit and loss account for the year ended 31 March 2020	18
Consolidated cash flow statement for the year ended 31 March 2020	19
Consolidated statement of comprehensive income for the year ended 31 March 2020	21
Notes to the consolidated financial statements	22
Company balance sheet as at 31 March 2020	56
Company profit and loss account for the year ended 31 March 2020	57
Notes to the company financial statements	58
<b>Other information</b>	<b>71</b>
Profit appropriation according to the Articles of Association	71
Branches	71
Independent auditor's report	71

## 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, Africa and Russia ('EMEAR'). 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. 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 2020 (hereafter '2019/2020').

### Developments

The financial year 2019/2020 was another tough business year. While the CISMEA region (Russia, Middle East and Africa) has been steadily growing, Western Europe region fell back due to decline in Consumer and Professional printing markets. There is a substantial increase in turnover from our other product groups such as Projectors, Business Systems and Robotics Solutions. However, the downwards trend in the Consumer market is still happening. Epson also faced tough pricing competition from its key competitors in the market. Despite such challenges, we still manage to have a healthy turnover of EUR 1.83 billion (2018/2019: EUR 1.82 billion), and a profit before tax of EUR 47.7 million (2018/2019: EUR 27.3 million). The increase in profit before tax is mainly due to price drop for purchased goods from the head office in Japan to comply with APA target, the result of previous few years additional marketing activities, including promotion of new products, brand recognition and investment in additional sales force throughout the EMEAR region.

### Impact of the corona virus

The outbreak of Coronavirus, a virus potentially deadly respiratory tract infections originating in China and spreading worldwide, may negatively affect economic conditions regionally as well as globally and disrupt operations and supply chains. Governments in affected countries including the Netherlands are imposing travel bans, quarantines and other emergency public safety measures. Those measures, though expected to be temporary in nature, may continue and increase depending on developments in the virus outbreak.

### The impact on the financial year 2020/2021

At present, the full impact of the corona virus on our business activities is difficult to accurately calculate as it is impossible to reasonably predict when the pandemic will end. It is possible that risks could become apparent in businesses and regions where production and sales have so far escaped relatively unscathed, so it will be necessary to keep a close eye on the situation as it unfolds. We further refer to the risk and outlook section of this directors' report.

**Epson Europe B.V., Amsterdam**

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Page 3

## Financial position at year end

Total assets increased with EUR 10.4 million or 2%.

The total fixed assets decreased with EUR 6.9 million mainly due to amortization and depreciation

The investments in tangible and intangible fixed assets in this financial year amounted to EUR 8.4 million (March 31, 2019: EUR 9.4 million).

The total current assets increased with EUR 18 million mainly due to increase in cash and cash equivalents and decrease in receivables. Cash and cash equivalents at the year-end were EUR 114 million (March 31, 2019: EUR 69 million). The movement in cash and cash equivalents is mainly due to positive operating result and is well within the expected range to conduct the necessary operations effectively. The current ratio increased compared to previous year also due to decrease in current liabilities.

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

## Financial Ratios FY19

### Summary of key Financial Ratios

	March, 2020	March, 2019	
Liquidity ratios			
	Current ratio	1.58	1.46
	Quick ratio	0.82	0.74
Financial Leverage	Debt ratio	0.66	0.71
	Assets to Equity ratio	2.91	3.44
	Liabilities to Equity ratio	1.91	2.44

## Employee information

During the FY2019/2020 the average number of employees amounted to 2,416 (FY2018/2019: 2,323). This increase is in line with our investment plan and efforts to increase Epson's presence in EMEAR territory. We owe our gratitude to the employees for their efforts. Epson is investing heavily in the training of its employees by the use of computer-based training as well as more traditional methods.

As of 1 January 2013, the 'Wet Bestuur en Toezicht', a new Management and Supervision Act came into effect. This act required a large-sized N.V. or B.V. to seek for a balanced distribution on their management and supervisory boards, with at least 30% of the seats occupied by women, and at least 30% by men. This law is not applicable anymore since January 1, 2020 however diversity including a balanced distribution of the boards has and will have the continuous attention.

The current composition of the Boards deviates from the above-mentioned percentages. Epson Europe B.V. continues to look for suitable female candidates, however, given the industries in which Epson Europe B.V. is operating, suitable candidates with different gender are difficult to identify and select.

## 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, Africa and Russian (EMEAR) 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 EMEAR 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 also 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

**Epson Europe B.V., Amsterdam**

██

██

██

██

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, it shall be considered to be at arm's length to remunerate EEB, as a master distributor and headquarter for the EMEAR region. Remuneration is being assessed on a frequent basis to ensure that it is always at arm's length for all activities within the EMEAR 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 median of the range of the benchmarking analysis performed for these activities shall be considered to be in line with the arm's length standard.

The other EEB's subsidiaries being Epson CIS ('ECIS'), Epson Europe Electronics GmbH ('EEG') and Epson Telford Ltd ('ETL'), Epson Subscription Europe B.V, ('ESE') and EIS' subsidiaries, Fortex S.r.l. ("Fortex") and Fratelli Robustelli S.r.l. ("Robustelli"), have a different function.

ECIS' sales and profits only represent a relatively small portion of our total sales and results and the main activity is the wholesale of spare parts for printers, scanners, multimedia projectors and multifunction devices, manufactured by SEC. EEB also provides certain intermediary coordination and support services to ECIS.

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.

Fortex mainly sells ink for Monna Lisa\* printers and develops of ink in joint cooperation with SEC, which include development, manufacture, and sale of textile preparation products. The company also sells analogue printing dyes and auxiliary products. In addition, chemical treatment consulting for digital textile printing and Monna Lisa\* sales support and sales of Epson dye sublimation large-format printers.

Robustelli 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. Robustelli became a wholly owned subsidiary of EIS from July 2016.

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

**Epson Europe B.V., Amsterdam**

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

## **Risk section**

### **Methodology**

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, J-SOX refers to the internal control portions of the Financial Instruments and Exchange Act, which is the main statute codifying securities law and regulating securities companies in Japan.

Following the 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, Epson Europe B.V. needs to be compliant with J-SOX as well for certain key processes.

### **Significant 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 Group's operations have limited risks.

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.

Where needed we have also included our assessment of the impact of Covid-19 on our significant risks.

## **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. In order 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 risks 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 in order 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 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 becomes 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 of time 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 in the branch countries, which is usually in combination with a tender or promotion. Warranty claims due to product defects are charged to SEC.

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. EEB is not subject to warranty or product liability risk in this regard.

SEC is liable on the warranty terms and for any product liability 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.

#### *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 also, 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 EMEAR.

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 EMEAR region, as it manages the main central warehouse (CDC) including the spare parts warehouse.

Initially, EEB bears the majority of the risk for obsolescence and scrap in EMEAR. However, ultimately SEC financially bears the risk globally as costs of obsolescence is reimbursed as arranged and stated in the distributorship agreement

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.

#### *Impact due to COVID-19*

The pandemic has had a negative impact on the sales of most of our businesses and products. Sales of our B2B products such as projectors, commercial & industrial inkjet printers, SIDM printers, and POS printers have stalled because we are unable to engage in business talks.

In Western Europe, demand for ink cartridge printers has risen more than we initially anticipated due to the large number of people working from home, but it is unknown how long this will continue.

### **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, Turkish Lira and British pounds. Based on a risk analysis, Group management determines which part of the currency risks must be hedged. To achieve this, the Group uses short term (spot and) forward exchange contracts with SEC. Mainly due to the forward contracts and transfer pricing mechanism in place, any movement in the USD, TRY and GBP does not have a material impact on our profitability.

The Group is further exposed to currency translation risk on its net investments in the United Kingdom. Any translation result is recognized through equity and therefore has a limited impact on the result for the year. In case the EUR/GBP rate increases respectively decreases with 5%, this will result in an increase/decrease of equity of about EUR 0.8 million.

Risk appetite is low in the current and preferred profile.

#### *Impact due to COVID-19*

At present we do not have any problems in terms of financing. We had planned all along to keep surplus cash reserves in the event of a major economic slowdown. We are also making arrangements in case the pandemic should further spread and become even more protracted.

### **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. In order 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.

### **Risks and uncertainties**

The Company has identified the risk on the possible impact of the recent decision of the UK government to exit of the European Union ('Brexit'). Based on this, the Company is currently assessing the possible future risk. However, at the moment, the magnitude of the risk involved is not yet known.

### **Research and development**

The Group did not carry out any significant research and development (R&D) activities relating to products during the year. The main R&D activities are done in SEC. The total amount of research and development expenditures amount to 0.0 million (2018/2019: 0.0 million).

### **The Group objective and outlook**

The Group objective and outlook for the fiscal year 2020 is expected to have a lower revenue due to COVID-19 impact (estimated to be about 20%), and for the subsequent years recover of about 5% on a year to year basis.

Subscription-based services launched at the end of 2019 are expected to contribute to the revenue in the coming years.

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 in order to remain competitive and to increase its market share in Europe, Middle East, Africa and Russia ('EMEAR').

The Group is continuing its policy of process improvement in order 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.

Epson announced its "Epson 25" long-range corporate vision and mid-range business plan in fiscal year 2016. This plan outlines the Corporate vision of the company until the start of fiscal year 2025.

In FY20 the company is completing the first phase of the mid-range business plan and is now moving into the 2nd period of the EPSON25 mid-term plan. Under this plan the company will continue to strengthen the foundation for business by sustaining the results of achieved strategic initiatives in the first phase and developing products for the future whilst aggressively investing as required.

The coronavirus pandemic will affect the Epson Group. Anticipated risks include but are not limited to stoppages or long delays in procurement, production, and shipping due to government imposed measures such as lockdowns and closures; weak consumer spending; a drop in capital expenditure demand; and delays in B2B business and tender opportunities.

At present, the full impact of these factors on our business activities is difficult to accurately calculate as it is impossible to reasonably predict when the pandemic will end. It is possible that risks could become apparent in businesses and regions where production and sales have so far escaped relatively unscathed, so it will be necessary to keep a close eye on the situation as it unfolds.

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

The financial outlook will be announced as soon as it is possible to do so.

The company expects to continue on a going concern basis for at least 12 months after the date of these financial statements.

Amsterdam, 14 July 2020

The Board of Managing Directors,

  
N. Saeki

K. Fujii



K. Yamamoto



山本 和由 (Aug 5, 2020 13:59 GMT+2)

**Epson Europe B.V., Amsterdam**

## Consolidated financial statements



## Consolidated balance sheet as at 31 March 2020

(in EUR 1,000)

(before appropriation of result)

	Reference	31 March 2020	31 March 2019
<i>Assets</i>			
<b>Fixed assets</b>			
Intangible fixed assets	5.1	17,949	20,523
Tangible fixed assets	5.2	36,000	38,372
Financial fixed assets	5.3	11,066	12,991
		<u>65,015</u>	<u>71,886</u>
<b>Current assets</b>			
Inventories	5.4	295,317	296,273
Receivables	5.5	204,179	230,754
Cash at banks and in hand	5.6	114,283	69,188
		<u>613,779</u>	<u>596,215</u>
<b>Total assets</b>		<u><b>678,794</b></u>	<u><b>668,101</b></u>

(in EUR 1,000)

	Reference	31 March 2020	31 March 2019
<i>Liabilities and shareholder's equity</i>			
<b>Shareholder's equity</b>	5.7	233,253	193,995
<b>Provisions</b>	5.8	57,232	67,002
<b>Current liabilities</b>	5.9	388,309	407,104
<b>Total liabilities and shareholder's equity</b>		<b>678,794</b>	<b>668,101</b>

## Consolidated profit and loss account for the year ended 31 March 2020

(in EUR 1,000)

	Reference	2019/2020	2018/2019
<b>Revenue</b>	6.1	1,832,975	1,822,782
Cost of sales		(1,335,389)	(1,359,314)
<b>Gross profit</b>		497,586	463,468
<b>Operating expenses</b>			
Selling expenses		(157,785)	(174,814)
General and administrative expenses	6.2	(292,473)	(261,041)
<b>Total expenses</b>		(450,258)	(435,855)
<b>Operating profit</b>		47,328	27,613
Gain (loss) on disposal of (in)tangible fixed assets		53	(58)
Financial income/(expense), net	6.3	287	(260)
<b>Profit before tax</b>		47,668	27,295
Taxation	6.4	(12,829)	(8,438)
<b>Profit/(Loss) for the year</b>		<b>34,838</b>	<b>18,857</b>

## Consolidated cash flow statement for the year ended 31 March 2020

(in EUR 1,000)

		<u>2019/2020</u>	<u>2018/2019</u>
	Reference		
<b>Cash flows from operating activities</b>			
Operating profit		47,329	27,612
Adjustments in respect of:			
Amortisation and depreciation	5.1	10,974	11,340
Gain / (loss) on disposal of (in)tangible fixed assets		53	(58)
Exchange differences		1,675	1,071
Correction movement in provisions for actuarial gains and losses through equity	5.7	6,562	(7,691)
Movements in provisions other than corporate taxes		(10,156)	6,748
		<u>9,108</u>	<u>11,410</u>
Changes in working capital:			
Inventories		956	4,922
Receivables other than corporate taxes		22,124	(28,412)
Current liabilities other than corporate taxes		(18,381)	1,244
		<u>4,699</u>	<u>(22,246)</u>
<b>Cash generated from ordinary operations</b>		<u>61,136</u>	<u>16,776</u>
Interest (paid) / received		(20)	13
Corporate income tax received / (paid)		(7,541)	(12,185)
		<u>(7,561)</u>	<u>(12,172)</u>
<b>Net cash generated from operating activities</b>		<u>53,575</u>	<u>4,604</u>

		<b>2019/2020</b>	<b>2018/2019</b>
<b>Net cash generated from operating activities</b> (brought forward)		53,575	4,604
<b>Cash flows from investing activities</b>			
Purchases of (in)tangible fixed assets	5.1	(8,432)	(9,351)
Disposal of (in)tangible fixed assets	5.1	574	469
Investment / (decrease) in financial fixed assets		372	0
<b>Net Cash generated from investing activities</b>		(7,486)	(8,882)
<b>Net cash used in financing activities</b>		0	0
<b>Increase/(Decrease) in cash and cash equivalents</b>		<b><u>46,089</u></b>	<b><u>(4,278)</u></b>
<b>Movements in cash and cash equivalents</b>			
Cash and cash equivalents as at 1 April		69,188	73,782
Increase / (Decrease) in cash and cash equivalents		46,089	(4,278)
Cash translation differences		(994)	(316)
<b>Cash and cash equivalents as at 31 March</b>	5.6	<b><u>114,283</u></b>	<b><u>69,188</u></b>

## Consolidated statement of comprehensive income for the year ended 31 March 2020

(in EUR 1,000)

	<u>2019/2020</u>	<u>2018/2019</u>
<b>Consolidated profit after taxation</b>	34,839	18,857
<b>Other comprehensive income items that will not be reclassified to profit or loss:</b>		
Actuarial gains/(losses) – net of deferred tax impact	6,562	(7,692)
Reclassification directly to retained earnings	<u>(6,562)</u>	<u>7,692</u>
	0	0
<b>Other comprehensive income items that are or may be reclassified to profit or loss:</b>		
Currency translation adjustments on investments in subsidiaries and branches	<u>(2,142)</u>	<u>204</u>
	<u>(2,142)</u>	<u>204</u>
<b>Total recognized income and expense for the period</b>	<u>32,697</u>	<u>19,061</u>

## Notes to the consolidated financial statements

### 1 General information

#### 1.1 Activities

Epson Europe B.V. ('EEB' or 'the company') 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, Africa and Russia ('EMEAR'). 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 Impact of corona virus

The outbreak of Coronavirus, a virus potentially deadly respiratory tract infections originating in China and spreading worldwide, may negatively affect economic conditions regionally as well as globally and disrupt operations and supply chains. Governments in affected countries including the Netherlands are imposing travel bans, quarantines and other emergency public safety measures. Those measures, though expected to be temporary in nature, may continue and increase depending on developments in the virus outbreak.

At present, the full impact of these factors on our business activities is difficult to accurately calculate as it is impossible to reasonably predict when the pandemic will end. It is possible that risks could become apparent in businesses and regions where production and sales have so far escaped relatively unscathed, so it will be necessary to keep a close eye on the situation as it unfolds. Management is of the opinion that the financial statements can still be prepared on a going concern basis.

#### 1.4 Consolidation

At present, the full impact of these factors on our business activities is difficult to accurately calculate as it is impossible to reasonably predict when the pandemic will end. It is possible that risks could become apparent in businesses and regions where production and sales have so far escaped relatively unscathed, so it will be necessary to keep a close eye on the situation as it unfolds. The company expects to continue on a going concern basis for at least 12 months after the date of these financial statements.

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 decisive control as a result 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 taken into account. 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, in order 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>2019/2020</u>	<u>2018/2019</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
For.Tex. S.r.l.	Como, Italy	100	100
Robustelli S.r.l	Como, Italy	100	100
Epson Subscription Europe B.V.	Amsterdam, The Netherlands	100	-

## 1.5 Mergers and acquisitions

Acquisitions 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 of the fair value of the identifiable assets and liabilities acquired at the time of the transaction of a participating interest is recognized as goodwill.

**Epson Europe B.V., Amsterdam**



## 1.6 Related-party transactions

All group companies mentioned in note 1.4 are considered to be 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.

## 1.7 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 is 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.

## 1.8 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, deferred taxes, and contingencies.

## 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 were prepared on 14 July 2020. The financial statements are denominated in Euro.

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.





## 2.7 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 on the basis of 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 on the basis of 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 5.7.

#### 2.14 Pension provision

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

##### *Defined Benefit Plans*

The group companies have a number of pension schemes (refer to Note 5.7), including a number of defined benefit schemes. 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.

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 and cash equivalents;
- 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 and cash equivalents*

The accounting policy for cash and cash equivalents 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, taking into account 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**

Revenue is determined as revenue from the sale of goods and rendering of services, less discounts, exclusive of turnover taxes and after elimination of intra-group transactions.

##### *Sales of goods*

Revenue from the sale of goods is recognized in the profit and loss account once all the major rights to economic benefits and significant risks relating to the goods have been transferred to the buyer, the income can be reliably measured, and the income is probable to be received.

##### *Sales of services*

If the result of a transaction relating to a service can be reliably estimated and the income is probable to be received, the income relating to that service is recognized in proportion to the service delivered.

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.

The group has contracts in place with customers whereby it provides an option for the customer to purchase extended warranty. In case the group can distinct the extended warranty from the product(s) and/or other services delivered, it allocates part of the transaction price to the extended warranty, defers this part on the balance sheet and releases this part over the period to which the related service is provided.

#### **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 taking into account 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, taking into account 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.



## Notes to the consolidated balance sheet

### 5.1 Intangible fixed assets

Intangible fixed assets

Intangible fixed assets are detailed as follows:

(in EUR 1,000)

	Software & licenses	Development expenditure	Goodwill	Total
<b>Balance at 1 April 2019</b>				
At cost	22,078	768	20,408	43,254
Accumulated amortisation	(16,869)	0	(5,862)	(22,731)
Book value	5,209	768	14,546	20,523
<b>Movements 2019/2020</b>				
<u>Cost:</u>				
Additions	877	1,362	0	2,239
Transfers	2,130	(2,130)	0	0
Disposal	(2,047)	0	0	(2,047)
Exchange differences	(919)	0	0	(919)
	41	(768)	0	(727)
<u>Amortisation:</u>				
Disposal	1,955	0	0	1,955
Amortisation	(1,593)	0	(2,041)	(3,634)
Exchange differences	(169)	0	0	(169)
	(193)	0	(2,041)	(1,848)
<b>Balance at 31 March 2020</b>				
At cost	22,119	0	20,408	42,528
Accumulated amortisation	(16,676)	0	(7,903)	(24,579)
Book value	5,443	0	12,505	17,949

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, 2020 (March 31, 2019: 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 (FY2018: EUR 0 million).

#### *Acquisition Robustelli*

In July 2016, Epson has acquired 100% ownership in Robustelli. The acquisition was done directly via Epson Italy (EIS), which is a wholly owned subsidiary of Epson Europe BV (EEB). The acquisition has been accounted for as described in section 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 2020: 3.2 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:

(in EUR 1,000)

	Land and building	Production machinery and equipment	Assets in the course of construction	Tools, Furniture And fixtures	Total
<b>Balance at 1 April 2019</b>					
At cost	54,615	41,300	411	32,390	128,716
Accumulated depreciation	(31,839)	(32,641)	0	(25,864)	(90,344)
Book value	22,776	8,659	411	6,526	38,372
<b>Movements 2019/2020</b>					
<u>Cost:</u>					
Additions	1,394	498	816	3,486	6,194
Disposals	(155)	(4,898)	0	(1,876)	(6,929)
Exchange differences	(1,316)	(1,400)	(15)	(301)	(3,032)
Transfers	51	652	(707)	4	0
	(26)	(5,148)	94	1,313	(3,767)
<u>Depreciation:</u>					
Disposals	146	4,454	0	1,907	6,507
Depreciation	(2,129)	(1,757)	0	(3,454)	(7,340)
Exchange differences	852	1,136	0	240	2,228
Transfers	0	0	0	0	0
	(1,131)	3,833	0	(1,307)	1,395
<b>Balance at 31 March 2020</b>					
At cost	54,589	36,152	505	33,703	124,949
Accumulated depreciation	(32,970)	(28,808)	0	(27,171)	(88,949)
Book value	21,619	7,344	505	6,532	36,000

The accumulated impairment charges amount EUR 0 as per March 31, 2020 (March 31, 2019: EUR 0).

The construction in progress mostly consists of expenditures relating to the installation and configuration 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 other) in the profit and loss account.

### 5.3 Financial fixed assets

Movements in financial fixed assets can be broken down as follows:  
(in EUR 1,000)

	<u>Deferred tax assets</u>	<u>Other receivable</u>	<u>Total</u>
<b>Balance at 1 April 2019</b>	<b>10,954</b>	<b>2,037</b>	<b>12,991</b>
<b>Movements 2019/2020</b>			
Additions	729	26	755
Utilizations	(2,282)	(398)	(2,680)
<b>Balance at 31 March 2020</b>	<b>9,401</b>	<b>1,664</b>	<b>11,066</b>

#### *Deferred tax assets*

The deferred tax assets per 31 March 2020 mainly relate to temporary differences on pension provisions.

#### *Other receivable*

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



## 5.5 Receivables

Receivables consist of the following:  
(in EUR 1,000)

	<b>31 March 2020</b>	<b>31 March 2019</b>
Trade debtors	163,534	177,223
Amounts due from parent company	15,138	22,729
Amounts due from affiliated companies	730	690
Value added taxes ("VAT")	6,375	4,452
Corporate income tax	2,717	7,168
Other receivables	8,196	10,676
Prepayments and accrued income	7,489	7,816
	<hr/>	<hr/>
	204,179	230,754
	<hr/>	<hr/>

Trade debtors consist of:

	<b>31 March 2020</b>	<b>31 March 2019</b>
Gross amount	165,375	179,139
Allowance for doubtful accounts	(1,841)	(1,916)
	<hr/>	<hr/>
	163,534	177,223
	<hr/>	<hr/>

## 5.6 Cash at banks and in hand

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

(in EUR 1,000)	<b>31 March 2020</b>	<b>31 March 2019</b>
Cash at banks and in hand	114,283	69,188

The above cash at banks and in hand is at company's free disposal.  
As per 31 March 2020, there are no short-term deposits (31 March 2019: none).

## 5.7 Shareholder's equity

Shareholder's equity is explained in more detail in the notes to the company balance sheet.

The movements in group equity of the company are as follows:

(in EUR 1,000)	<b>Shareholder's equity</b>
<b>Balance 31 March 2018</b>	<b>182,625</b>
Net result for the year	18,857
Actuarial gains/(losses) net of deferred tax	(7,691)
Foreign currency translation	204
<b>Balance 31 March 2019</b>	<b>193,995</b>
Net result for the year	34,838
Actuarial gains/(losses) net of deferred tax	6,562
Foreign currency translation	(2,142)
<b>Balance 31 March 2020</b>	<b>233,253</b>

## 5.8 Provisions

(in EUR 1,000)	<b>31 March 2020</b>	<b>31 March 2019</b>
Pension	16,509	31,498
Warranties	23,089	22,047
Other short-term provision	4,362	1,165
Other provision non-current	13,272	12,292
	<b>57,232</b>	<b>67,002</b>

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

in EUR 1,000	<b>Warranties</b>	<b>Other short-term</b>	<b>Other non-current</b>
Balance at 1 April 2019	22,047	1,165	12,292
Additions	4,196	4,632	1,664
Usage	(2,341)	(1,407)	(767)
Exchange differences	(813)	(28)	83
Balance at 31 March 2020	23,089	4,362	13,272

### *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.

### *Others*

The other provisions mainly include a provision for retirement benefit plans. These are partly long-term in nature. The other non-current provision mainly relates to EIS (EUR 3.7 million / EUR 3.8 million in FY18) and EFS (EUR 3.0 million / same in FY18).



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

(in EUR 1,000)	<b>31 March 2020</b>	<b>31 March 2019</b>
Present value of funded obligations	159,840	179,255
Fair value of plan assets	(143,331)	(147,757)
Present value of unfunded obligations	16,509	31,498
Provision in the balance sheet	16,509	31,498

The movement in the pension provision recognised in the balance sheet is as follows:  
(in EUR '000):

<b>31 March 2019</b>	<b>31,498</b>
Foreign exchange differences	172
Pension expenses charged in the profit and loss account	688
Actuarial losses / (gains)	(8,963)
Contribution paid	(6,887)
<b>31 March 2020</b>	<b>16,509</b>

The movement in the pension provision can further be broken down as follows (in EUR '000):

	<b>Pension obligations</b>	<b>Plan assets</b>
<b>31 March 2019</b>	179,255	(147,757)
Interest	4,123	(3,428)
Contributions Paid	0	(6,887)
Benefits Paid	(4,959)	4,959
Actuarial losses / (gains)	(15,300)	6,337
Foreign exchange losses / (gains)	(3,280)	3,445
<b>31 March 2020</b>	159,840	(143,331)
<b>Sensitivity Analysis</b>		
<b>31 March 2020</b>	<b>Expected affecting amount when expected discount rate increases by 1%</b>	<b>Expected affecting amount when expected discount rate decreases by 1%</b>
Liability on Defined Benefit Plan (in EUR '000):	(30,615)	39,191

The amounts recognised in the profit and loss account are as follows (in EUR '000):

	<b>2019/2020</b>	<b>2019/2019</b>
Interest costs	688	635
Administrative expenses	330	264
<b>Total pension expenses</b>	<b>1,018</b>	<b>899</b>

The breakdown of plan assets is the following: EUR 1,000)

	<b>31 March 2020</b>	<b>31 March 2019</b>
Equities	30,915	33,853
Bonds	25,008	23,018
Property	3,862	3,959
Cash and deposit	5,712	4,547
Mix Funds	50,818	56,756
Other	27,016	25,624
<b>Fair value plan assets</b>	<b>143,331</b>	<b>147,757</b>

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

	<b>31 March 2020</b>	<b>31 March 2019</b>
Discount Rate	2.30-2.40%	2.40-2.55%
Future salary increases	2.60%	3.20%
Future pension increases	2.60%	3.10%

## 5.9 Current liabilities

Current liabilities comprise the following:  
(in EUR 1,000)

	<b>31 March 2020</b>	<b>31 March 2019</b>
Accounts payable to parent company	167,247	166,136
Accounts payable to affiliated companies	2,026	13,329
Trade payables	6,769	4,984
Other payables	41,828	47,794
VAT payables	12,843	16,101
Rebates	81,965	83,400
Corporate tax	2,945	3,360
Wage tax and social securities	5,809	4,960
Bonus accruals	6,443	5,716
General accruals	22,016	23,649
Deferred income	37,582	33,977
Interest bearing liabilities	(165)	1
Other current liabilities	1,001	3,697
	<b>388,309</b>	<b>407,104</b>

## 5.10 Contingencies and commitments

### *Long term financial obligations*

Rental, operating leases and other commitments entered into with third parties amount to approximately EUR 46.4 million (31 March 2019: EUR 47.2 million).

The maturity date of these commitments can be broken down as follows:  
(in millions of euros)

	31 March 2020	31 March 2019
With a term of less than to one year	14.7	13.5
With a term of equal to or more than one to less than or equal to five years	30.8	32.0
With a term of more than five years	0.9	1.7
Total	46.4	47.2

The rental charges, which are operating lease expenses for the year amounted to EUR 20.8 million (31 March 2019: EUR 13.2 million).



of the Court of Appeal dated 12 May 2017 arguing that the Court of Appeal misapplied the CJEU ruling. The procedure before the Supreme Court is still pending.

All this while Epson's own case against Reprobel remained unchanged. Unless Reprobel serves the ruling of 2 July 2012 to Epson, there is no activity in Epson's case.

*Bank guarantees*

The Group has available bank facilities with a maximum amount of EUR 51 million (31 March 2019: EUR 51 million).

## 6. Notes to the consolidated profit and loss account

### 6.1 Revenue

The breakdown of revenue by geographical area is as follows:

(in EUR 1,000)	2019/2020	2018/2019
The Netherlands	96,583	110,777
European Union	1,362,035	1,375,218
CIS	78,823	63,778
Middle East & Africa	190,428	162,213
Other	105,107	110,797
	<u>1,832,975</u>	<u>1,822,782</u>

The breakdown of revenue by category is as follows:

(in EUR 1,000)	2018/2019	2017/2018
Trade activities	1,781,218	1,775,166
Rendering of services	51,757	47,616
	<u>1,832,975</u>	<u>1,822,782</u>

### 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:

(in EUR 1,000)	2019/2020	2018/2019
Wages and salaries	141,715	126,899
Social security charges	26,684	24,693
Pension expenses	11,724	9,605
General and administration expenses	112,350	99,844
Total	<u>292,473</u>	<u>261,041</u>

### *Wages and salaries*

The average number of personnel employed by the company and its consolidated group companies during the year ended 31 March 2020 was 2,416 (2018/2019: 2,323). The number of employees employed outside the Netherlands was 2,204 (2018/2019: 2,125).

These average number of employees are from the following departments:

	<b>2019/2020</b>	<b>2018/2019</b>
Sales and marketing	1,377	1,278
Manufacturing	473	493
Technical	107	103
Administration and finance	459	449
	<u>2,416</u>	<u>2,323</u>

### *Pension expenses*

(in EUR 1,000)

	<b>2019/2020</b>	<b>2018/2019</b>
Pension expenses defined benefit schemes	321	270
Pension expenses defined contribution schemes	11,403	9,335
Total	<u>11,724</u>	<u>9,605</u>

### *General and administrative expenses*

The general and administrative expenses for the financial year under review include depreciation and amortisation charges EUR 7 million (2018/2019: EUR 7 million). This amount includes amortisation of goodwill of EUR 2 million (2018/2019: EUR 2 million).

## 6.3 Financial income and expenses

(in EUR 1,000)

	<b>2019/2020</b>	<b>2018/2019</b>
Interest income	179	298
Interest expense	(198)	(285)
Pension Benefit Interest cost	(688)	(635)
Exchange rate differences and other	994	362
	<u>287</u>	<u>(260)</u>

## 6.4 Taxation

The taxation on result on ordinary activities amounting to EUR 12.8 million can be specified as follows:

(in EUR 1,000)

	<u>2019/2020</u>	<u>2018/2019</u>
Result from ordinary activities before taxation	47,668	27,295
Current taxes	12,057	5,848
Deferred taxes	772	2,590
	<u>12,829</u>	<u>8,438</u>
Local tax rate in the Netherlands	25.0%	25.0%
<u>Effective tax rate reconciliation</u>		
Result from ordinary activities before taxation	47,668	27,295
Standard Income Tax at Dutch tax rate (25%)	11,917	6,824
Permanent differences	973	1,296
Corporate tax in past taxable years	86	(610)
Effect of differences with local tax rates	33	754
Others	(180)	174
Taxation on result	12,829	8,438

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 new tax ruling with the Dutch Tax Authorities is currently under negotiation. 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).

The Group's net deferred tax charge impact processed through equity has resulted to EUR 2.4 million (2018/2019: EUR 1.3 million).

## 7. Supplementary information

### 7.1 Related parties

Purchases of goods are mainly from the parent company and Singapore Epson Industrial PTE for an amount of EUR 1.2 billion (2018/2019: EUR 1.2 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 67 million (2018/2019: EUR 78 million). These sales were at arm's length.

### 7.2 Subsequent events

There were no material non-adjusting subsequent events.

## Company balance sheet as at 31 March 2020

(in EUR 1,000)

(before profit appropriation)

	Reference	31 March 2020	31 March 2019
<b>Assets</b>			
<b>Fixed assets</b>			
Intangible fixed assets	2.1	393	1,245
Tangible fixed assets	2.1	2,634	3,079
Financial fixed assets	2.2	114,328	110,015
		117,355	114,339
<b>Current assets</b>			
Inventories	2.3	248,967	253,919
Receivables	2.4	143,696	150,245
Cash at banks and in hand	2.5	85,316	39,364
		477,979	443,528
		<b>595,334</b>	<b>557,867</b>
<b>Liabilities and equity</b>			
<b>Shareholder's equity</b>			
Share capital	2.6	95,000	95,000
Share premium		478	478
Other reserves		115,266	89,847
Foreign currency translation reserve		(12,329)	(10,187)
Result for the year		34,838	18,857
		233,253	193,995
Provisions	2.7	13,182	16,246
Current liabilities	2.8	348,899	347,626
		<b>595,334</b>	<b>557,867</b>

## Company profit and loss account for the year ended 31 March 2020

(in EUR 1,000)

	Reference	2019/2020	2018/2019
Share in results of group companies	2.2	14,728	17,052
Other results after taxation		20,110	1,805
<b>Net result for the year</b>		<b>34,838</b>	<b>18,857</b>

## 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 disclosed in the income statement.

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

### 2.1 Intangible and Tangible fixed assets

#### Intangible fixed assets

Intangible fixed assets are detailed as follows:

(in EUR 1,000)

	<b>Software licences</b>	<b>Total</b>
<b>1 April 2019</b>		
At cost	11,257	11,257
Accumulated amortisation	(10,012)	(10,012)
Book value	1,245	1,245
<b>Movements 2019/2020</b>		
Additions	396	396
Amortisation	(1,247)	(1,247)
Disposals	(68)	(68)
Amortisation on disposal	68	68
	(851)	(851)
<b>31 March 2020</b>		
At cost	11,595	11,595
Accumulated amortisation	(11,192)	(11,192)
Book value	393	393

The research and development costs that are not capitalized and which are included in the company income statement under other results after taxation has a total amount of EUR 0.0 million (2018/2019: EUR 0.0 million).

Tangible fixed assets

(in EUR 1,000)

	<b>Land and Buildings</b>	<b>Other</b>	<b>Total</b>
<b>1 April 2019</b>			
At cost	1,891	10,512	12,403
Accumulated depreciation	(1,101)	(8,223)	(9,324)
Book value	790	2,289	3,079
<b>Movements 2019/2020</b>			
<u>At cost:</u>			
Additions	109	962	1,071
Disposals	(44)	(280)	(324)
	65	682	747
<u>Accumulated depreciation:</u>			
Disposals	30	257	287
Depreciation	(251)	(1,228)	(1,479)
	(221)	(971)	(1,192)
<b>31 March 2020</b>			
At cost	1,955	11,194	13,149
Accumulated depreciation	(1,321)	(9,194)	(10,515)
Book value	634	2,000	2,634

## 2.2 Financial fixed assets

Financial fixed assets consist of the following:

(in EUR 1,000)	<b>31 March 2020</b>	<b>31 March 2019</b>
Investments in group companies	113,482	108,838
Prepayments	514	837
Deferred tax asset	332	340
	<b>114,328</b>	<b>110,015</b>

### *Investments in group companies*

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

The shares in group companies relate to:

	<b>Place of incorporation</b>	<b>Shareholding</b>	
		<b>%</b>	
		<u>2019/2020</u>	<u>2018/2019</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	-

The movements in investments in group companies were as follows:

(in EUR 1,000)	<b>31 March 2020</b>	<b>31 March 2019</b>
Opening balance	108,838	107,889
Decrease due to dividend of group companies	(11,050)	(14,850)
Share in results of group companies	14,728	17,052
Actuarial gains and losses of group companies	2,115	(1,998)
Foreign exchange results of group companies	(1,149)	604
Closing balance	<b>113,482</b>	<b>108,697</b>

As per March 31, 2020, Epson (U.K.) Ltd ('EUL') has a negative equity and therefore the carrying amount of this investment is recognized at nil and consequently movements in the equity of EUL including the result for the year, foreign currency translation results and actuarial results are not added or deducted from the carrying amount of the investment. Epson Europe B.V. has committed to provide EUL with the necessary cash liquidity to fulfil its financial obligations if necessary. A provision is recognized per March 31, 2020, reflecting the expected related future financial obligations of Epson Europe B.V. The unrecognized result of EUL for the current year amounts to EUR 8.5 million and the accumulated unrecognized results amount to EUR 2.2 million.

#### *Deferred tax assets*

Deferred tax assets mainly relate to tax losses carried forward. An amount of EUR 0.3 million (2018/2019: EUR 0.3 million) is expected to be recovered within one year.

## 2.3 Inventories

Inventories consist of the following:  
(in EUR 1,000)

	<b>31 March 2020</b>	<b>31 March 2019</b>
Finished products and goods for resale	248,967	253,919
	<u>248,967</u>	<u>253,919</u>

Inventories' gross and provision amounts consist of:

	<b>31 March 2020</b>	<b>31 March 2019</b>
Gross amount	264,664	273,559
Allowance for obsolescence	(15,697)	(19,640)
	<u>248,967</u>	<u>253,919</u>

## 2.4 Receivables

Receivables consist of the following:  
(in EUR 1,000)

	<b>31 March 2020</b>	<b>31 March 2019</b>
Amounts due from parent company	2,029	3,074
Amounts due from group companies	76,448	81,603
Trade debtors	48,589	43,700
Taxation	5,212	7,815
Interest bearing receivables from group companies	3,901	6,976
Other receivables	2,272	2,187
Prepayments	5,245	4,890
	<u>143,696</u>	<u>150,245</u>

Trade debtors consist of:

	<b>31 March 2020</b>	<b>31 March 2019</b>
Gross amount	48,610	43,700
Allowance for doubtful accounts	(21)	0
	<u>48,589</u>	<u>43,700</u>

## 2.5 Cash at banks and in hand

Cash and bank balances consist of the following:  
(in EUR 1,000)

	<b>31 March 2020</b>	<b>31 March 2019</b>
Banks	85,316	39,364
Cash on hand	0	0
	<u>85,316</u>	<u>39,364</u>

## 2.6 Shareholder's equity

The movements in shareholder's equity are as follows:  
(in EUR 1,000)

	Share capital	Share premium	Other reserves	Legal reserve	Foreign currency translation reserve	Result for the year	Total
<b>1 April 2018</b>	<b>95,000</b>	<b>478</b>	<b>76,133</b>	<b>183</b>	<b>(10,392)</b>	<b>21,223</b>	<b>182,625</b>
Appropriation of result	0	0	21,223	0	0	(21,223)	0
Net result for the year	0	0	0	0	0	18,857	18,857
Actuarial gains/losses subsidiaries, net of deferred tax	0	0	(7,692)	0	0	0	(7,692)
Amortization capitalized development cost	0	0	183	(183)	0	0	0
Foreign currency translation of the branches	0	0	0	0	(190)	0	(190)
Foreign currency translation of subsidiaries	0	0	0	0	395	0	395
<b>31 March 2019</b>	<b>95,000</b>	<b>478</b>	<b>89,847</b>	<b>0</b>	<b>(10,187)</b>	<b>18,857</b>	<b>193,995</b>
<b>1 April 2019</b>	<b>95,000</b>	<b>478</b>	<b>89,847</b>	<b>0</b>	<b>(10,187)</b>	<b>18,857</b>	<b>193,995</b>
Appropriation of result	0	0	18,857	0	0	(18,857)	0
Net result for the year	0	0	0	0	0	34,838	34,838
Actuarial gains/losses subsidiaries, net of deferred tax	0	0	6,562	0	0	0	6,562
Amortization capitalized development cost	0	0	0	0	0	0	0
Foreign currency translation of the branches	0	0	0	0	(1,097)	0	(1,097)
Foreign currency translation of subsidiaries	0	0	0	0	(1,045)	0	(1,045)
<b>31 March 2020</b>	<b>95,000</b>	<b>478</b>	<b>115,266</b>	<b>0</b>	<b>(12,329)</b>	<b>34,839</b>	<b>233,253</b>

*Epson Europe B.V., Amsterdam*

The share capital of the company is as follows:  
(in EUR 1,000)

	<b>31 March 2020</b>	<b>31 March 2019</b>
<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  
(in EUR 1,000)

	<b>31 March 2020</b>	<b>31 March 2019</b>
Warranties	6,591	5,812
Provision negative equity EUL	2,244	8,782
Other	4,347	1,652
	<b>13,182</b>	<b>16,246</b>

The other provisions include EUR 2.2 million towards customer claims for stopping sales of ink for selected models of products.

The movements in provisions can be stated as follows:

in EUR 1,000	Warranties	Negative equity EUL	Other	Total
Opening balance	5,812	8,782	1,652	16,246
Additions	1,759	0	3,185	4,944
Usage	(977)	(6,400)	(490)	(7,867)
Exchange differences	(3)	(138)	0	(141)
Closing balance	6,591	2,244	4,347	13,182

The warranty and other provisions are mainly short term in nature. The provision for negative equity EUL is mainly long term in nature since the negative equity is mainly caused by pension obligations which are long term in nature.

The expected cash out flows as a result of guarantees provided to EUL has decreased mainly as result of actuarial gains and therefore an amount of EUR 6.4 million is released from the provision for the negative equity of EUL. For further disclosure regarding the provision for other reference is made to the section 'others' in note 5.8 of the consolidated financial statements.

## 2.8 Current liabilities

Current liabilities comprise the following:  
(in EUR 1,000)

	31 March 2020	31 March 2019
Accounts payable to parent company	154,794	157,993
Accounts payable to group companies	4,119	6,639
Trade payables	1,131	474
Other Payables	16,652	18,786
VAT Payables	3,313	3,500
Rebates	14,473	14,309
Wage tax and social securities	2,659	2,226
Bonus accruals	2,506	1,886
General Accruals	8,974	8,476
Interest bearing liabilities	131,697	124,639
Deferred income	8,581	6,696
Other liabilities	0	2,006
	<b>348,899</b>	<b>347,628</b>

## 2.9 Audit fees of the group

The following audit fees were expensed by Ernst & Young Accountants LLP and other Ernst & Young in the income statement in the reporting period:

(in thousands of euros)

	<b>2019/2020</b>		<b>2018/2019</b>	
	Ernst & Young Accountants LLP	Other Ernst & Young	Ernst & Young Accountants LLP	Other Ernst & Young
Audit services	499	686	568	601
Tax advisory services	0	590	0	744
Other assurance procedures	13	0	0	50
Non-assurance related fees	0	173	0	200
<b>Total</b>	<b>512</b>	<b>1,449</b>	<b>568</b>	<b>1,595</b>

The fees disclosed in the above overview are based on the fees invoiced in FY19.

## 2.9 Headcount

The average number of employees in EEB during the year ended in March 2020 was 875 (2018/2019: 731).

	<b>2019/2020</b>	<b>2018/2019</b>
Sales and marketing	556	493
Technical	75	9
Administration and finance	244	230
	<b>875</b>	<b>731</b>

## 3. Supplementary information

### 3.1 Contingencies and commitments

#### *Long term financial obligations*

Rental, operating lease and other commitments entered into with third parties amount to approximately EUR 18 million.

**Epson Europe B.V., Amsterdam**

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

(in millions of euros)	31 March 2020	31 March 2019
With a term of less than to one year	7.3	6.9
With a term of equal to or more than one to less than or equal to five years	10.7	16.5
With a term of more than five years	0.0	0.1
Total	18.0	23.5

#### *Cash management arrangements*

The Company and certain group companies entered into cash management arrangements with certain banks. The company also guarantees the payment of debt within the Euro and pound sterling cash pools of all participating group companies.

#### *Belgium Copyrights*

Reference is made to note 5.10 of the consolidated financial statements for further details.

#### *Bank guarantees*

The Company also has available bank facilities with a maximum amount of EUR 51 million (31 March 2019: 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 7.1 to the consolidated financial statements.

### 3.3 Directors' remuneration

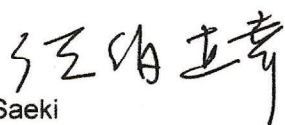
The amount required to be disclosed, as referred to in Article 383.1, Part 9, Book 2 of the Netherlands Civil Code, for the remuneration of the Board of Directors amounts to EUR 565 thousand (2018/2019: EUR 574 thousand). No remuneration has been paid by the Company to the supervisory board. The remuneration disclosed includes the so called 'crisis tax'.

### 3.4 Subsequent events

There were no material non-adjusting subsequent events.

Amsterdam, 14 July 2020

The Board of Managing Directors,



N. Saeki

K. Fujii 

K. Yamamoto 山本 和由  
山本 和由 (Aug 5, 2020 13:59 GMT+2)

The Board of Supervisory Directors,



M. Kawana



T. Seki



T. Inaho



## Independent auditor's report

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

### Report on the audit of the financial statements 2019/2020 included in the annual report

#### Our opinion

We have audited the financial statements for the financial year ended 31 March 2020 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 2020, 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 2020
- The consolidated and company profit and loss account for the year then ended
- The consolidated cash flow statement for the year ended 31 March 2020
- 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. 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.

#### Emphasis of matter relating to uncertainty about Corona

The developments around the Corona (Covid-19) pandemic have a profound impact on people, society and on the economy. This impacts operational and financial performance of organizations and the assessment of the ability to continue as a going concern. The financial statements and our auditor's report thereon reflect the conditions at the time of preparation. The impact may continue to evolve, giving rise to inherent uncertainty. Epson Europe B.V. is confronted with this uncertainty as well, that is disclosed in the Directors report reference to page 3, 7, 11, 12 and 13 and the notes to the financial statements reference to page 22 We draw attention to these disclosures. Our opinion is not modified in respect of this matter

## Report on other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- The directors' report
- Other information pursuant to Part 9 of Book 2 of the Dutch Civil Code

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

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 less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the directors' report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

## Description of responsibilities for the financial statements

### Responsibilities of management for the financial statements

Management 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, management is responsible for such internal control as management 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, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management 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.

### Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment 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 have detected all material errors and fraud.

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. Our audit included e.g.:

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

We communicate with management 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, 14 July 2020

Ernst & Young Accountants LLP

signed by T. Wiffrie