

AXCELIS TECHNOLOGIES INC
Form 10-K/A
June 30, 2003

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION Washington,
D.C. 20549**

FORM 10-K/A

AMENDMENT NO. 1

TO

FORM 10-K

(Mark one)

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2002

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission file number 000-30941

AXCELIS TECHNOLOGIES, INC. *(Exact name of registrant as specified in its charter)*

Delaware

(State or other jurisdiction of incorporation or organization)

34-1818596

(IRS Employer Identification No.)

**55 Cherry Hill Drive
Beverly, Massachusetts 01915**

(Address of principal executive offices, including zip code)

(978) 787-4000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of class</u>	<u>Name of each exchange on which registered</u>
None	None

Securities registered pursuant to Section 12(g) of the Act:

**Common Stock, \$0.001 par value
Preferred Share Purchase Rights**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [] .

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes [X] No [] .

Aggregate market value of the voting stock held by nonaffiliates of the registrant as of June 30, 2002: **\$1,107,390,847**

Number of shares outstanding of the registrant's Common Stock, \$0.001 par value, as of March 25, 2003: **98,395,258**

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the definitive Proxy Statement for Axcelis Technologies, Inc.'s Annual Meeting of Stockholders to be held on June 26, 2003 are incorporated by reference into Part III of this Form 10-K.

AMENDMENT NO. 1

EXPLANTORY NOTE

We are filing this amendment to our Annual Report on Form 10-K for the fiscal year ended December 31, 2002, originally filed with the Securities and Exchange Commission on March 28, 2003, solely for the purpose of complying with Regulation S-X, Rule 3-09. Rule 3-09 requires that Form 10-K, but not the annual shareholders' report, contain separate financial statements for unconsolidated subsidiaries and investees accounted for by the equity method when such entities are individually significant.

We have determined that our 50% owned joint venture with Sumitomo Heavy Industries, Ltd., known as Sumitomo Eaton Nova Corporation ("SEN"), which is not consolidated in the Axcelis Technologies, Inc. financial statements (and is accounted for under the equity method) was significant under Rule 3-09 in relationship to the Axcelis Technologies, Inc. financial results for the year ended December 31, 2002. Since SEN's fiscal year ended after the date of the filing of our Form 10-K, Rule 3-09 provides that the SEN financial statements may be filed as an amendment to our Form 10-K within 90 days after the end of SEN's fiscal year ended March 31, 2003.

Therefore, this Form 10-K/A amends the following portions of the Axcelis Technologies Form 10-K filed on March

28, 2003:

- Item 8 is being amended by submitting the financial statements of SEN for the fiscal years ended March 31, 2003, 2002 and 2001 (the "SEN Financial Statements") as a separate section of this report immediately following Item 15;
- Item 15 is being amended to:
 - include the list of the SEN Financial statements being filed herewith as required by Item 15(a); and
 - add to the list of exhibits and exhibits filed in accordance with Item 601 of Regulation S-K an Exhibit 23.2, Consent of Ernst & Young - Independent Auditors relating to the SEN Financial Statements, as required by Item 15(c).

As required by Rule 3-09, we will determine with respect to each future fiscal year, whether SEN has been significant with respect to Axcelis' financial results for such year, and file SEN financial statements as necessary to comply with Rule 3-09.

Item 15. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a) The following documents are filed as part of the Company's Form 10-K, as originally filed on March 28, 2003, and as amended by this form 10-K/A:

(1)(A) Financial Statements of Axcelis Technologies, Inc.:

Report of Ernst & Young LLP - Independent Auditors

Consolidated Statements of Operations-For the fiscal years ended December 31, 2002, 2001 and 2000

Consolidated Balance Sheets-December 31, 2002 and 2001

Consolidated Statements of Stockholders' Equity-For the fiscal years ended December 31, 2002, 2001 and 2000

Consolidated Statements of Cash Flows-For the fiscal years ended December 31, 2002, 2001 and 2000

Notes to Consolidated Financial Statements

(1)(B) Financial Statements of Sumitomo Eaton Nova Corporation:

Report of Ernst & Young - Independent Auditors

Consolidated Statements of Operations-For the fiscal years ended March 31, 2003, 2002 and 2001

Consolidated Balance Sheets-March 31, 2003 and 2002

Consolidated Statements of Shareholders' Equity-For the fiscal years ended March 31, 2003, 2002 and 2001

Consolidated Statements of Cash Flows-For the fiscal years ended March 31, 2003, 2002 and 2001

Notes to Consolidated Financial Statements

(2) Financial Statement Schedules:

Schedule II - Valuation and Qualifying Accounts for the fiscal years ended December 31, 2002, 2001 and 2000

All other schedules for which provision is made in the applicable regulation of the Securities and Exchange Commission are not required under the related instructions or are inapplicable, and therefore have been omitted.

(b) Reports on Form 8-K

A Current Report on Form 8-K dated December 11, 2002, was filed with the Securities and Exchange Commission on December 12, 2002, and amended by a Form 8-K/A filed on December 13, 2002. These filings relate to our pending patent infringement litigation. No other reports on Form 8-K were filed by the Company during the quarter ended December 31, 2002.

(c) Exhibits

The exhibits filed as part of this Form 10-K are listed on the Exhibit Index immediately preceding such Exhibits, which Exhibit Index is incorporated herein by reference.

(d) Financial Statement Schedules

The response to this portion of Item 15 is submitted as a separate section of this report.

Report of Ernst & Young, Independent Auditors

The Board of Directors

Sumitomo Eaton Nova Corporation

We have audited the accompanying consolidated balance sheets of Sumitomo Eaton Nova Corporation (the "Company") as of March 31, 2003 and 2002, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended March 31, 2003, all expressed in Japanese yen. Our audits also included the translation of these statements as of and for the year ended March 31, 2003 into U.S. dollars on the basis described in Note 1. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used

and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above expressed in Japanese yen present fairly, in all material respects, the consolidated financial position of Sumitomo Eaton Nova Corporation at March 31, 2003 and 2002, and the consolidated results of its operations and its cash flows for each of the three years in the period ended March 31, 2003, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the financial statements expressed in U.S. dollars as of and for the year ended March 31, 2002, when considered in relation to the basic financial statements taken as a whole, have been properly translated on the basis described in Note 1.

/s/ ERNST & YOUNG

Tokyo, Japan
April 25, 2003

**Sumitomo Eaton Nova Corporation.
Consolidated Statements of Income**

	2001	Years Ended March 31, 2002	2003	Year ended March 31, 2003
	<i>(Thousands of yen)</i>			<i>(U.S. dollars in thousands)</i>
Net sales <i>(Note 6)</i>	¥31,085,155	¥18,047,259	¥17,860,545	\$146,431
Cost of products sold <i>(Note 6)</i>	16,271,032	10,832,128	10,320,596	84,613
Gross profit	14,814,123	7,215,131	7,539,949	61,818
Selling, general and administrative expenses <i>(Note 6)</i>	5,138,400	4,793,246	4,587,471	37,611

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Income from operations	9,675,723	2,421,885	2,952,478	24,207
Other income (expense):				
Interest expense	(41,311)	(23,771)	(949)	(8)
Other income (expense), net	(143,214)	118,945	(12,039)	(99)
Income before income taxes	9,491,198	2,517,059	2,939,490	24,100
Income taxes (benefit) (Note 8):				
Current	4,239,293	666,674	1,342,811	11,009
Deferred	(301,698)	367,311	(129,316)	(1,060)
	3,937,595	1,033,985	1,213,495	9,949
Net income	¥ 5,553,603	¥ 1,483,074	¥ 1,725,995	\$ 14,151

See accompanying Notes to Consolidated Financial Statements

Sumitomo Eaton Nova Corporation
Consolidated Balance Sheets

	2002	March 31, 2003	March 31, 2003
	<i>(Thousands of yen)</i>		<i>(U.S. dollars in thousands)</i>
Assets			
Current assets:			
Cash and cash equivalents	¥ 489,483	¥ 3,043,118	\$ 25,317

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Trade receivables, net (Note 2)	8,911,312	9,050,300	75,294
Due from affiliates - current (Note 6)	65,115	55,932	465
Inventories (Note 3)	3,555,001	3,849,217	32,023
Deferred income taxes and other current assets (Note 8)	196,401	335,030	2,788
Total current assets	13,217,312	16,333,597	135,887
Property, plant and equipment, net (Note 4)	4,528,828	3,609,819	30,032
Deferred income taxes and other assets (Note 8)	300,038	454,219	3,779
	¥ 18,046,178	¥ 20,397,635	\$ 169,698
Liabilities and shareholders' equity			
Current liabilities:			
Short-term debt (Note 7)	¥ 800,000	¥	\$
Trade payables:			
Notes	766,468	966,586	8,041
Accounts	895,605	1,915,691	15,938
	1,662,073	2,882,277	23,979
Due to affiliates (Note 6)	1,779,793	1,268,548	10,554
Income taxes payable and other current liabilities	595,440	1,429,582	11,893
Total current liabilities	4,837,306	5,580,407	46,426
Accrued retirement benefits for employees and directors (Note 9)	95,760	108,477	902
Shareholders' equity (Note 10):			
Capital stock:			
Authorized - 20,000 shares			
Issued and outstanding - 12,000 shares	600,000	600,000	2,511
Retained earnings	12,513,112	14,119,107	124,846
Accumulated other comprehensive loss		(10,356)	(4,987)
Total shareholders' equity	13,113,112	14,708,751	122,370
	¥ 18,046,178	¥ 20,397,635	\$ 169,698

See accompanying Notes to Consolidated Financial Statements.

Sumitomo Eaton Nova Corporation
Consolidated Statements of Shareholders' Equity

Capital stock	Retained earnings (Note 10)	Accumulated other comprehensive loss	Total

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(Thousands of yen)

Balance at March 31, 2000	¥600,000	¥ 5,656,435	¥	¥ 6,256,435
Net income		5,553,603		5,553,603
Cash dividends		(60,000)		(60,000)
<hr/>				
Balance at March 31, 2001	600,000	11,150,038		11,750,038
Net income		1,483,074		1,483,074
Cash dividends		(120,000)		(120,000)
<hr/>				
Balance at March 31, 2002	600,000	12,513,112		13,113,112
Net income		1,725,995		1,725,995
Minimum pension liability adjustment			(10,356)	(10,356)
<hr/>				
Total comprehensive income				1,715,639
Cash dividends		(120,000)		(120,000)
<hr/>				
Balance at March 31, 2003	¥600,000	¥14,119,107	¥(10,356)	¥14,708,751

	Capital stock	Retained earnings (Note 10)	Accumulated other comprehensive loss	Total
<i>(U.S. dollars in thousands)</i>				
Balance at March 31, 2002	\$2,511	\$111,719	\$(14,313)	\$ 99,917
Net income		14,151		14,151
Minimum pension liability adjustment			(86)	(86)
Foreign currency translation adjustment			9,412)	9,412
<hr/>				
Total comprehensive income				23,477
Cash dividends		(1,024)		(1,024)
<hr/>				
Balance at March 31, 2003	\$2,511	\$124,846	\$(4,987)	\$ 122,370

See accompanying Notes to Consolidated Financial Statements.

Sumitomo Eaton Nova Corporation
Consolidated Statements of Cash Flows

	2001	Years Ended March 31, 2002	2003	Year ended March 31, Year ended
	<i>(Thousands of yen)</i>			<i>(U.S. dollars in thousands)</i>
Operating activities:				
Net income	¥ 5,553,603	¥ 1,483,074	¥ 1,725,995	\$ 14,151
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	970,662	999,174	963,207	7,897
Deferred income taxes (benefit) provision	(301,698)	367,311	(136,349)	(1,118)
Changes in operating assets and liabilities:				
Trade receivables	(7,072,234)	6,869,172	(138,988)	(1,140)
Due from affiliates	(246,223)	340,248	9,183	75
Inventories	(1,696,284)	3,264,224	(294,216)	(2,412)
Trade payables	2,166,798	(4,412,363)	1,220,204	10,004
Due to affiliates	727,031	(617,062)	(511,245)	(4,191)
Income taxes payable	3,532,557	(3,924,864)	875,472	7,178
Other, net	421,587	(361,788)	(47,044)	(386)
Net cash provided by operating activities	4,055,799	4,077,126	3,666,219	30,058
Investing activities:				
Purchases of property, plant and equipment, net	(1,193,906)	(979,922)	(204,247)	(1,675)
Other, net	(19,115)	4,741	11,663	96
Net cash used by investing activities	(1,213,021)	(975,181)	(192,584)	(1,579)
Financing activities:				
Decrease in short-term borrowings, net	(2,656,000)	(3,400,000)	(800,000)	(6,559)
Cash dividends paid	(60,000)	(120,000)	(120,000)	(1,024)
Other	(8,750)	(5,358)		
Net cash used in financing activities	(2,724,750)	(3,525,358)	(920,000)	(7,583)
Effect of exchange rate changes on cash and cash equivalents				691
Net increase (decrease) in cash and cash equivalents	118,028	(493,413)	2,553,635	21,587
Cash and cash equivalents at beginning of the year	864,868	982,896	489,483	3,730
Cash and cash equivalents at end of the year	¥ 982,896	¥ 489,483	¥ 3,043,118	\$ 25,317
Supplementary information				
Interest paid during the year	¥ 40,754	¥ 23,660	¥ 949	\$ 8
Income taxes paid during the year	¥ 639,785	¥ 4,585,607	¥ 467,339	\$ 3,830

See accompanying Notes to Consolidated Financial Statements

Sumitomo Eaton Nova Corporation
Notes to Consolidated Financial Statements

Note 1. Nature of Business and Significant Accounting Policies

General

Sumitomo Eaton Nova Corporation (the "Company") was established on April 1, 1983 under the Commercial Code of Japan. The Company is owned equally by Sumitomo Heavy Industries, Ltd. ("SHI"), a Japanese corporation, and Axcelis Technologies, Inc. ("Axcelis"), a U.S. corporation. The Company designs, manufactures, sells and repairs ion implantation equipment and semiconductor equipment primarily for Japanese semiconductor manufacturing customers under a license agreement with Axcelis.

The Company and its subsidiary maintain their records and prepare their financial statements in accordance with accounting principles generally accepted in Japan. Certain adjustments and reclassifications have been incorporated in the accompanying consolidated financial statements to conform with accounting principles generally accepted in the United States of America. These adjustments were not recorded in the statutory books of account.

Basis of Financial Statements

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary. All significant intercompany balances and transactions are eliminated in consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The actual results could differ from those estimates.

Foreign Currency

The Company's functional currency is the Japanese yen. Transaction gains and losses, which arise from exchange rate fluctuations on transactions denominated in a currency other than the functional currency, are included in the results of operations as incurred. Transaction gains and losses in each of the years in the three year period ended March 31, 2003 were not material.

The accompanying consolidated financial statements expressed in U.S. dollars have been prepared for use in conjunction with the preparation of the consolidated financial statements of Axcelis and have been translated into U.S. dollars in accordance with Statement of Financial Accounting Standards No. 52, Foreign Currency Translation. Assets and liabilities are translated using the exchange rate in effect at year-end. Statement of income items are translated using the average rates for the year. The effects of these translation adjustments are accumulated and included in accumulated other comprehensive loss, a separate component of shareholders' equity.

Cash Equivalents

All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.

Inventories

Inventories are stated at the lower of cost or market, cost being determined by the average method.

Long-Lived Assets

Property, plant and equipment is stated on the basis of cost. Depreciation is computed by the declining-balance method over the estimated useful lives of the respective assets (buildings 6 to 40 years; machinery 4 to 13 years; and furniture, fixtures and automobiles 2 to 20 years) except fo