Consolidated Financial Results for the First Quarter Ended September 30, 2019 (Japanese GAAP)

October 28, 2019

Company name:	Lasertec Corporation
Stock exchange listing:	Tokyo Stock Exchange
Code:	6920
URL:	https://www.lasertec.co.jp/
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Date of securities report filing:	November 12, 2019
Date of starting dividend payout:	--
Preparation of supplementary material for financial results:	Yes
Financial results briefing:	No

(Figures less than a million yen are rounded down.)

1. Consolidated financial results for the three-month period ended September 30, 2019

(1) Consolidated operating results

(The percentage figures indicate changes from the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
Three months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
September 30, 2019	5,542	(10.3)	1,429	55.2	1,372	41.3	993	26.8
September 30, 2018	6,181	127.3	921	272.7	971	294.0	783	296.3

(Note) Comprehensive income: Three months ended September 30, 2019: 967 million yen [10.7%]
Three months ended September 30, 2018: 874 million yen [263.8%]

	Net income per share	Net income per share, fully diluted
Three months ended	Yen	Yen
September 30, 2019	22.03	22.01
September 30, 2018	17.37	17.36

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
September 30, 2019	55,145	30,677	55.6	679.90
June 30, 2019	50,055	31,107	62.1	689.44

(Reference) Equity: September 30, 2019: 30,656 million yen June 30, 2019: 31,086 million yen

2. Dividends

	Dividend per share				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended June 30, 2019	--	16.00	--	31.00	47.00
Fiscal year ending June 30, 2020	--				
Fiscal year ending June 30, 2020 (Forecast)		31.00	--	47.00	78.00

(Note) Revision to forecast of dividends since the last announcement: No

3. Forecast of consolidated financial results for the year ending June 30, 2020

(The percentage figures indicate changes from the same period of the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First six months	22,000	30.7	7,700	49.6	7,700	49.5	5,900	53.3	130.85
Annual	40,000	39.0	13,000	63.7	13,000	65.9	10,000	68.5	221.78

(Note) Revision to forecast of financial results since the last announcement: No

※ Notes

(1) Significant changes of subsidiaries during the period (changes of specified subsidiaries accompanying changes in the scope of consolidation): None

Number of subsidiaries added to consolidation: None (Company names: --),
Number of subsidiaries excluded from consolidation: None (Company names: --)

(2) Application of special accounting procedures to the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policy, changes or restatement of accounting estimates
① Changes in accounting policy due to revision of accounting standards: None
② Changes in accounting policy other than ①: Yes
③ Changes in accounting estimates: None
④ Restatement due to revision: None

(Note) For details, see "(4) Notes to consolidated financial statements (Changes in accounting policy)" on page 8 of the attached supplementary material.

(4) Number of issued shares (common stock):

(Shares)

① Number of issued shares at the end of the period (including treasury shares)	September 30, 2019	47,143,200	June 30, 2019	47,143,200
② Number of treasury shares at the end of the period	September 30, 2019	2,054,196	June 30, 2019	2,054,196
③ Average number of shares during the period ended	September 30, 2019	45,089,004	September 30, 2018	45,089,103

※ **This report of financial results is not subject to auditing by certified public accountants.**

※ **Statement about proper use of forecast of financial results and other special notes**

The forecast of financial results provided in this report is based on the information currently available to the company and based on certain assumptions it has judged as reasonable. Actual results may differ materially from the forecast due to various factors.

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1. Qualitative information concerning this quarterly report

(1) Information concerning operating results

During the first three months of this fiscal year, the global economy maintained a steady pace of growth, but it was beginning to slow down due to the spread of protectionist trade policies, as exemplified by the US-China trade friction, as well as due to the uncertainty of geopolitical issues.

In the semiconductor industry, our primary market, there were signs that the fall of memory prices was coming to an end, but the capital investment of memory manufacturers did not fully recover yet. On the other hand, logic manufacturers kept a high pace of capital investment to enable further scaling at leading-edge production lines. In particular, major foundries continued making investment in earnest for the commercial application of next-generation extreme ultraviolet (EUV) lithography.

In the flat panel display (FPD) industry, another major market of our business, the pace of capital investment was slowing down due to an oversupply of LCD panels as Chinese manufacturers started operating their newly built 10.5G large-panel production plants.

Under these circumstances, our consolidated net sales in the three-month period ended September 30, 2019 totaled 5,542 million yen (down 10.3% year-on-year).

By product segment, semiconductor-related products accounted for 3,195 million yen (down 22.3% year-on-year), other products for 1,001 million yen (down 9.2% year-on-year), and services for 1,345 million yen (up 39.5% year-on-year).

As for consolidated income for this period, we recorded an operating income of 1,429 million yen (up 55.2% year-on-year), an ordinary income of 1,372 million yen (up 41.3% year-on-year), and a 993 million-yen net income attributable to owners of parent (up 26.8% year-on-year).

(2) Information concerning financial position

① Financial position

Total assets at the end of the period amounted to 55,145 million yen, up 5,089 million yen from the end of the previous fiscal year. This is mainly due to a 4,863 million yen increase in work in process.

Liabilities at the end of the period amounted to 24,467 million yen, up 5,519 million yen from the end of the previous fiscal year. This is mainly due to a 4,840 million yen increase in advances received.

Net assets, which consist of shareholders' equity, accumulated other comprehensive income, and subscription right to shares, amounted to 30,677 million yen. The capital-to-asset ratio was 55.6%.

② Cash flows

Cash and cash equivalents at the end of the period amounted to 13,385 million yen, up 265 million yen from the end of the previous fiscal year. Following is the status of cash flows and their contributing factors during the three-month period.

Net cash provided by operating activities amounted to 2,654 million yen (up 26.3% year-on-year). This is mainly because the sum of cash receipt, such as a 4,838 million yen increase in advances received, a 1,992 million yen increase in accounts payable-trade, and 72 million yen in income before income taxes, exceeded the sum of cash payment, such as a 4,994 million yen increase in inventories and 1,206 million yen used for income taxes paid.

Net cash used in investing activities amounted to 968 million yen (up 454.6% year-on-year). This is mainly due to 926 million yen used for purchase of property, plant and equipment.

Net cash used in financing activities amounted to 1,399 million yen (up 41.0% year-on-year). This is mainly due to 1,397 million yen used for cash dividends paid.

(3) Information concerning forecast of consolidated financial results

We have not revised our forecast for the fiscal year ending June 2020 announced on August 7, 2019.

2. Consolidated financial statements and notes

(1) Consolidated balance sheet

(In thousands of yen)

	Previous (As of June 30,2019)	Current (As of September 30,2019)
Assets		
Current assets		
Cash and deposits	13,185,860	13,448,497
Notes and accounts receivable-trade	4,313,818	3,925,072
Work in process	15,479,479	20,342,959
Raw materials and supplies	3,278,609	3,407,575
Other	3,589,280	3,752,323
Allowance for doubtful accounts	(5,990)	(4,460)
Total current assets	39,841,058	44,871,967
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	2,457,654	2,423,843
Machinery, equipment and vehicles, net	1,030,031	960,793
Tools, furniture and fixtures, net	309,310	401,363
Leased assets, net	3,190	25,425
Land	4,254,773	4,254,773
Total property, plant and equipment	8,054,960	8,066,199
Intangible assets	462,664	463,328
Investments and other assets		
Investment securities	478,373	480,674
Deferred tax assets	1,113,574	1,154,549
Other	105,135	108,620
Allowance for doubtful accounts	(95)	(95)
Total investments and other assets	1,696,987	1,743,748
Total noncurrent assets	10,214,612	10,273,277
Total assets	50,055,671	55,145,244

(In thousands of yen)

	Previous (As of June 30, 2019)	Current (As of September 30, 2019)
Liabilities		
Current liabilities		
Accounts payable-trade	1,843,695	4,190,467
Income taxes payable	1,433,588	569,546
Advances received	12,234,776	17,075,287
Provision for bonuses	--	419,798
Provision for directors' bonuses	281,800	53,900
Provision for product warranties	327,991	210,732
Provision for quality compensation	230,344	160,715
Other	2,081,210	1,249,731
Total current liabilities	18,433,406	23,930,178
Noncurrent liabilities		
Net defined benefit liability	227,931	252,113
Asset retirement obligations	218,939	218,972
Other	67,888	66,398
Total noncurrent liabilities	514,758	537,484
Total liabilities	18,948,164	24,467,662
Net assets		
Shareholders' equity		
Capital stock	931,000	931,000
Capital surplus	1,080,360	1,080,360
Retained earnings	29,985,983	29,581,609
Treasury stock	(977,387)	(977,387)
Total shareholders' equity	31,019,955	30,615,581
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	221,898	223,501
Foreign currency translation adjustment	(155,846)	(182,999)
Total accumulated other comprehensive income	66,051	40,502
Subscription rights to shares	21,498	21,498
Total net assets	31,107,506	30,677,582
Total liabilities and net assets	50,055,671	55,145,244

(2) Consolidated statement of income and consolidated statement of comprehensive income

(Consolidated statement of income)

(First three months of the fiscal year)

(In thousands of yen)

	Previous (July 1, 2018 thru September 30, 2018)	Current (July 1, 2019 thru September 30, 2019)
Net sales	6,181,214	5,542,630
Cost of sales	2,895,052	2,416,157
Gross profit	3,286,162	3,126,473
Selling, general and administrative expenses	2,364,701	1,696,683
Operating income	921,460	1,429,790
Non-operating income		
Interest income	2,212	1,061
Rent income on non-current assets	494	522
Foreign exchange gains	45,730	--
Other	1,954	3,633
Total non-operating income	50,392	5,216
Non-operating expenses		
Loss on retirement of non-current assets	0	0
Foreign exchange losses	--	62,090
Other	527	0
Total non-operating expenses	528	62,090
Ordinary income	971,325	1,372,916
Income before income taxes	971,325	1,372,916
Income taxes-current	410,805	421,258
Income taxes-deferred	(222,703)	(41,726)
Total income taxes	188,102	379,531
Net income	783,222	993,384
Net income attributable to owners of parent	783,222	993,384

(Consolidated statement of comprehensive income)
(First three months of the fiscal year)

(In thousands of yen)

	Previous (July 1, 2018 thru September 30, 2018)	Current (July 1, 2019 thru September 30, 2019)
Net income	783,222	993,384
Other comprehensive income		
Valuation difference on available-for-sale securities	41,582	1,603
Foreign currency translation adjustment	49,446	(27,153)
Total other comprehensive income	91,029	(25,549)
Comprehensive income	874,252	967,835
Comprehensive income attributable to owners of parent	874,252	967,835
Comprehensive income attributable to non-controlling interests	--	--

(3) Consolidated statement of cash flows

(In thousands of yen)

	Previous (July 1, 2018 thru September 30, 2018)	Current (July 1, 2019 thru September 30, 2019)
Cash flows from operating activities		
Income before income taxes	971,325	1,372,916
Depreciation and amortization	104,041	186,461
Loss on retirement of non-current assets	0	0
Increase (decrease) in allowance for doubtful accounts	805	(1,512)
Increase (decrease) in provision for bonuses	269,879	415,912
Increase (decrease) in provision for directors' bonuses	(200,000)	(227,900)
Increase (decrease) in provision for product warranties	48,315	(117,231)
Increase (decrease) in provision for quality compensation	356,067	(69,628)
Increase (decrease) in net defined benefit liability	12,374	24,209
Interest and dividend income	(2,212)	(1,061)
Foreign exchange losses (gains)	8,970	(3,664)
Decrease (increase) on notes and accounts receivable-trade	(1,117,877)	384,091
Decrease (increase) in inventories	(890,246)	(4,994,711)
Increase (decrease) in accounts payable-trade	(102,010)	1,992,859
Increase (decrease) in advances received	2,773,254	4,838,479
Other, net	338,920	60,268
Sub-total	2,571,607	3,859,519
Interest and dividend income received	2,195	1,077
Income taxes paid	(472,016)	(1,206,331)
Net cash provided by (used in) operating activities	2,101,786	2,654,266
Cash flows from investing activities		
Purchase of property, plant and equipment	(110,159)	(926,088)
Purchase of intangible assets	(17,754)	(42,578)
Payments for guarantee deposits	(46,735)	--
Net cash provided by (used in) investing activities	(174,649)	(968,666)
Cash flows from financing activities		
Cash dividends paid	(991,960)	(1,397,759)
Other, net	(573)	(1,387)
Net cash provided by (used in) financing activities	(992,534)	(1,399,146)
Effect of exchange rate change on cash and cash equivalents	18,330	(21,436)
Net increase (decrease) in cash and cash equivalents	952,933	265,016
Cash and cash equivalents at beginning of period	10,107,234	13,120,550
Cash and cash equivalents at end of period	11,060,168	13,385,567

(4) Notes to consolidated financial statements

(Note on going concern)

None

(Note on significant changes in the amount of shareholders' equity)

None

(Changes in accounting policy)

(Adoption of accounting standard for revenue recognition and others)

Since ASBJ Statement No. 29 Accounting Standard for Revenue Recognition and ASBJ Guidance No. 30 Implementation Guidance on Accounting Standard for Revenue Recognition are adoptable from the first quarter of a fiscal year that starts on April 1, 2018 or later, we have chosen to adopt them from the first quarter of this fiscal year. As a result, we now recognize the revenue of goods or service in the amount we expect to receive in exchange when the control of such goods or service promised is transferred to the customer. As such, the following changes have been introduced:

(1) Product sale

In product sale transactions, the obligation of warranty service is treated separately from the obligation of product sale. We recognize the revenue of product sale when the control of asset is transferred to the customer whereas we recognize the revenue of warranty service step by step as we fulfill our obligation over the warranty period.

(2) Out-of-warranty maintenance service

With respect to out-of-warranty maintenance service, we recognize revenue either when we fulfill our obligation by transferring the control of service to the customer or as we fulfill our obligation step by step over the period of maintenance agreement.

We have adopted the Accounting Standard for Revenue Recognition and its Implementation Guidance in accordance with the provisional accounting procedure for the adoption of the accounting standard set forth in the proviso of Section 84 of ASBJ Statement No. 29. According to this procedure, the cumulative effect from the adoption of the new accounting standard for the periods prior to this fiscal year is reflected on retained earnings on the balance sheet at the beginning of this fiscal year, and the new accounting standard is applied to the new balance of retained earnings. However, we also employ the method set forth in Section 86 of ASBJ Statement No. 29, and the new accounting standard is not applied retrospectively to the contracts whose revenue was recognized almost entirely prior to the beginning of this fiscal year.

As a result of this change, the amount of net sales is lowered by 192,471 thousand yen, and those of operating income, ordinary income and net income are each lowered by 161,692 thousand yen on the consolidated financial statements for the three-month period ended September 30, 2019. There is no effect from this change on the amount of retained earnings at the beginning of this fiscal year.

3. Supplementary information

(1) Production by category

Production by category for the first three months of the fiscal year is as follows.

(In thousands of yen)

Category	(July 1, 2019 thru September 30, 2019) Previous	Current	Year-on-year increase (%)
Finished goods			
Semiconductor-related products	10,535,568	12,937,718	22.8
Other products	1,030,613	939,120	(8.9)
Subtotal	11,566,182	13,876,838	20.0
Services	964,490	1,345,939	39.5
Total	12,530,672	15,222,778	21.5

(Notes)
1. Numbers shown above are based on sales prices.
2. Consumption taxes are not included.

(2) Orders and backlog by category

Orders and backlog by category for the first three months of the fiscal year are as follows.

(In thousands of yen)

Category	(July 1, 2019 thru September 30, 2019) Orders Previous	Orders Current	Year-on-year increase (%)	Backlog Previous	Backlog Current	Year-on-year increase (%)
Finished goods						
Semiconductor-related products	4,254,668	8,844,475	107.9	34,606,736	57,690,818	66.7
Other products	314,901	463,761	47.3	3,889,531	2,060,528	(47.0)
Subtotal	4,569,570	9,308,236	103.7	38,496,268	59,751,347	55.2
Services	1,061,881	1,398,272	31.7	835,162	973,431	16.6
Total	5,631,452	10,706,509	90.1	39,331,431	60,724,778	54.4

(Notes)
1. Numbers shown above are based on sales prices.
2. Orders reflect adjustment for cancellation and other changes.
3. Consumption taxes are not included.

(3) Sales by category

Sales by category for the first three months of the fiscal year are as follows.

(In thousands of yen)

Category	(July 1, 2019 thru September 30, 2019) Previous	Current	Year-on-year increase (%)
Finished goods			
Semiconductor-related products	4,114,205	3,195,601	(22.3)
Other products	1,102,519	1,001,089	(9.2)
Subtotal	5,216,724	4,196,690	(19.6)
Services	964,490	1,345,939	39.5
Total	6,181,214	5,542,630	(10.3)

(Note) Consumption taxes are not included.