

PALTEK Corporation (OTC: 7587)

June Update

PALTEK CORPORATION

June 25, 2001

Agenda

- Revenue and Earnings Guidance
 - Consolidated
 - Non-Consolidated

- Background and Reasons
 - Drastic changes in the Network Market
 - Semiconductor Market Trends

- Business Outlook and Objectives for 2001

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Fiscal Year 2001 Projections



CONSOLIDATED

	FY2001 H1	Y-on-Y Growth	FYE2001	Y-on-Y Growth
Sales	9,814	21%	18,682	0.05%
Operating Profits	390	(64%)	525	(75%)
Recurring Profits	420	(63%)	541	(75%)
Net Income	49	(93%)	58	(95%)

Unit: Yen in Millions

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Fiscal Year 2001 Projections



NON-CONSOLIDATED

	FY2001 H1	Y-on-Y Growth	FYE2001	Y-on-Y Growth
Sales	8,023	10%	15,000	(8%)
Operating Profits	783	(27%)	1,006	(55%)
Recurring Profits	814	(29%)	1,032	(55%)
Net Income	472	(32%)	599	(55%)

Unit: Yen in Millions

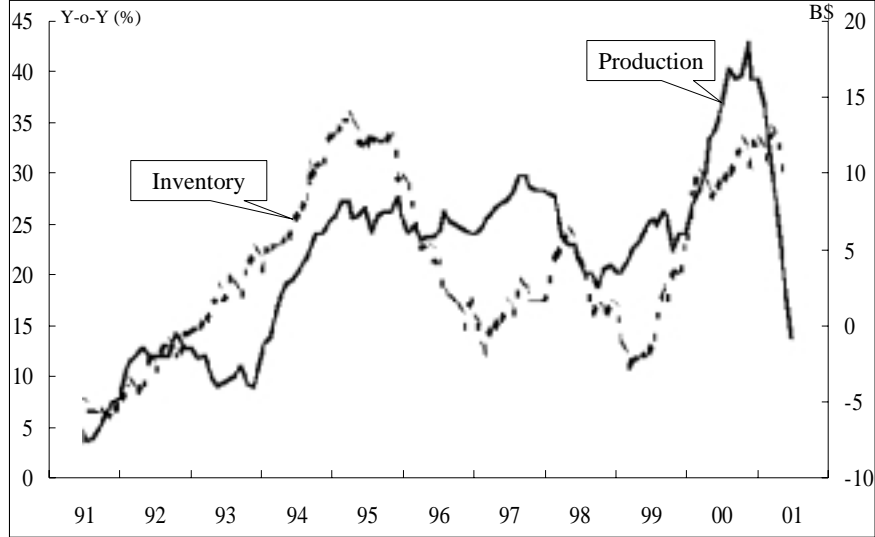
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U.S. Electric Machinery Industry

Production & Inventories

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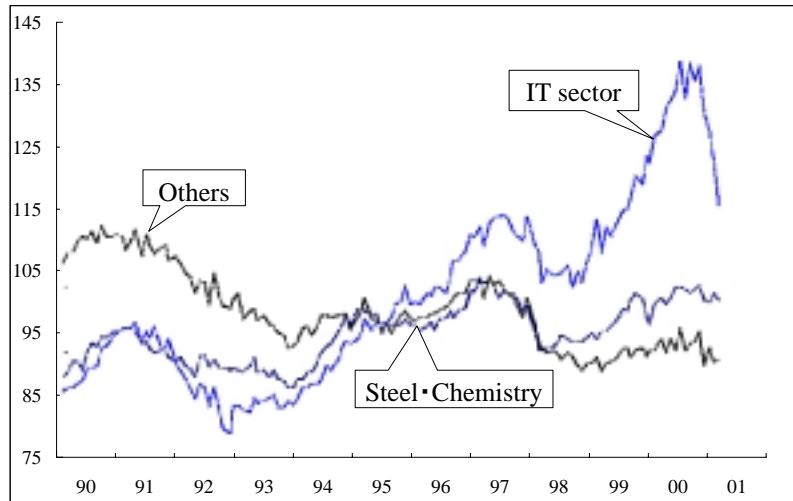
Source: U.S. Department of Commerce

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Industrial Production Index - Japan

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※IT sector includes electric machinery

Source: Ministry of Economy, Trade and Industry

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Drastic Changes in Network Industry

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Excess capital investments at Carriers last year

- Reduced spending this year (Worldwide)
 - Standard changes in mobile communications (EU)
 - Optical networking market (DWDM) slowdown

In Japan,

- W-CDMA services delayed, schedule changes
- Abrupt changes in network infrastructure
 - From ISDN to ADSL

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W-CDMA

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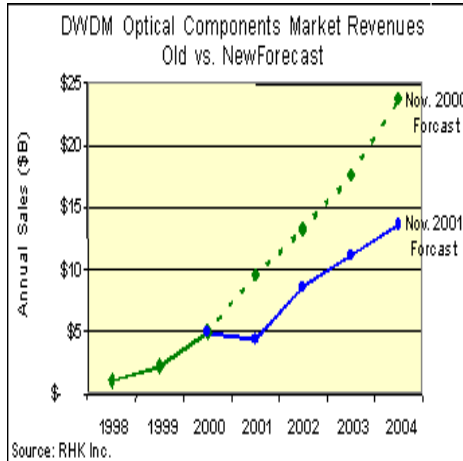
- Standard changes in Europe (UMTS)
 - Capital spending reduced for next generation mobile communications network build-outs at Carriers worldwide
 - Services to start, delayed to first half of 2002
- Delayed in domestic market
 - Services started in May, but not to levels originally planned
 - Wide-spread use postponed to after October

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Slowdown of Optical Networking

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<DWDM market trends>

- Decline of 11% in 2001
 - Result of highly aggressive purchasing by system vendors during 2000
 - Market expected to grow to \$14 billion by 2004.
 - Driven by continuing deployment of new systems
 - Increased optical functions, rather than electrical

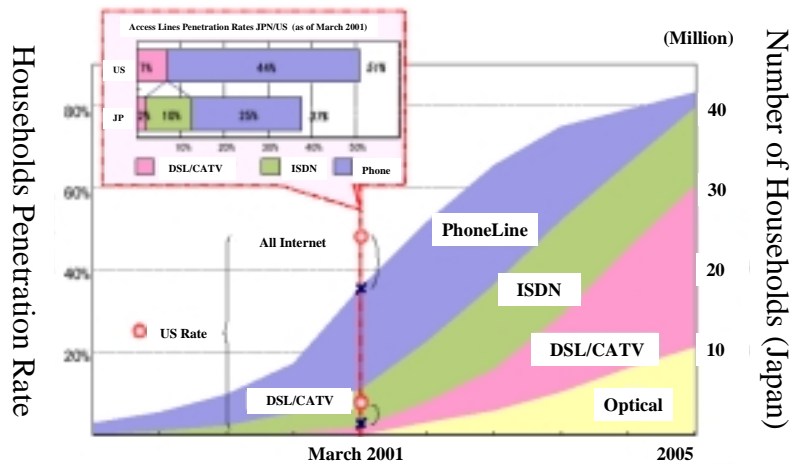
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ISDN v.s. ADSL

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Internet Households Demand Trends



Source: InfoCom Research, Inc.

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通信市場の今後

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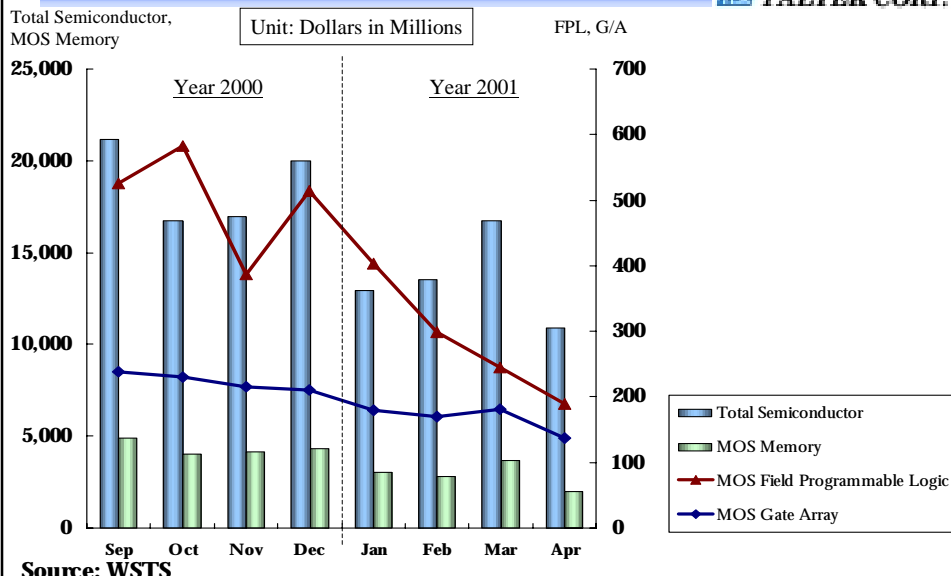
- ・「携帯電話, 無線アクセス, 音声・データ統合など, 通信業界の長期的な見通しは明るい」(米ABI,2001.4.10)
- ・固定無線, 衛星, 光ファイバなどの広帯域ユーザー数は, 世界市場で2000年の700万人から2004年には3200万人へと拡大する。(米eMarketer,2001.4.30)
- ・「世界の広帯域ユーザー数は今年末に2100万、2005年末には4倍に」(米In-Stat, 2001.6.13)
- ・「北米のワイヤレス・データ通信のユーザーは5年後に1億3700万人に」(米Dataquest, 2001.6.6)
- ・「無線市場は狭/広帯域ともに引き続き成長。」(米ABI,2001.6.20)

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Worldwide Semiconductors

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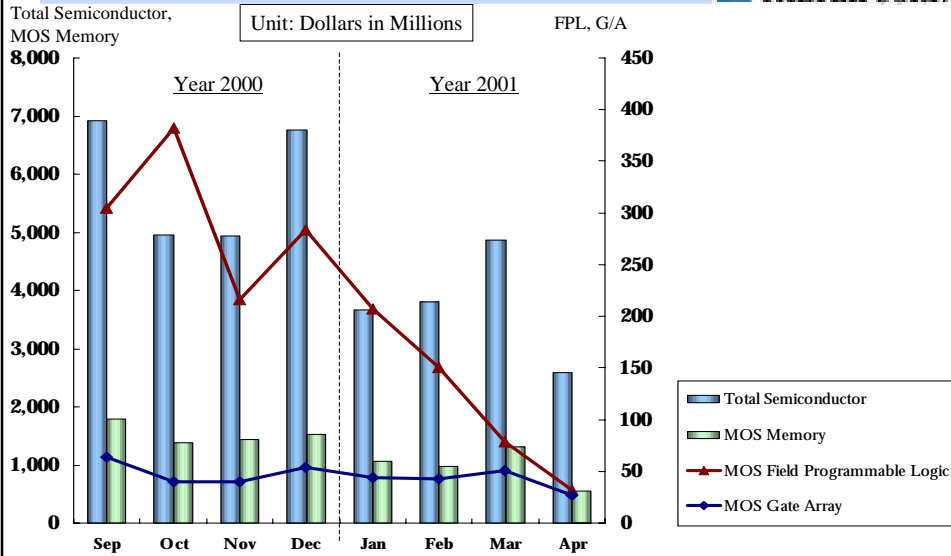


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Americas Semiconductors

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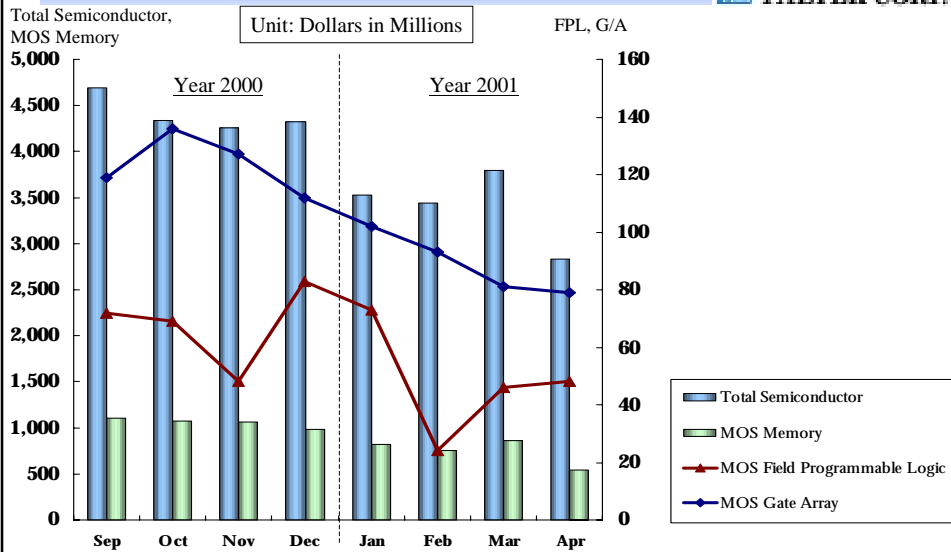
Source: WSTS

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Japan Semiconductors

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Source: WSTS

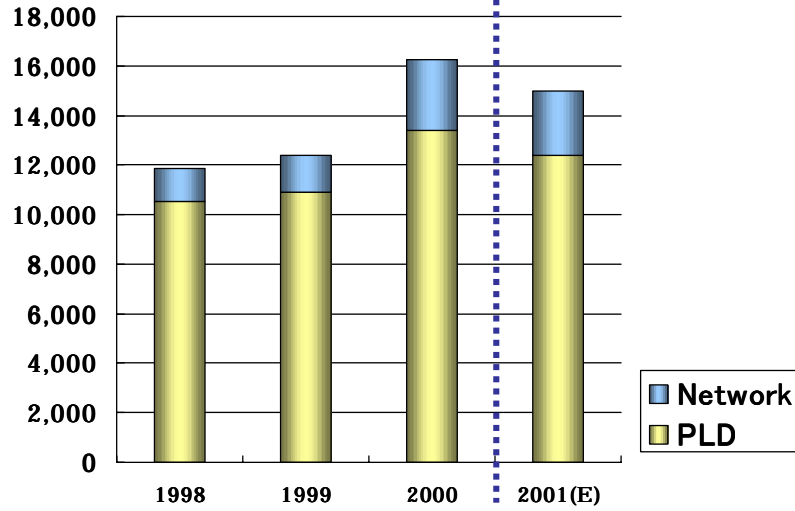
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Sales Breakdown

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(Yen in Millions)



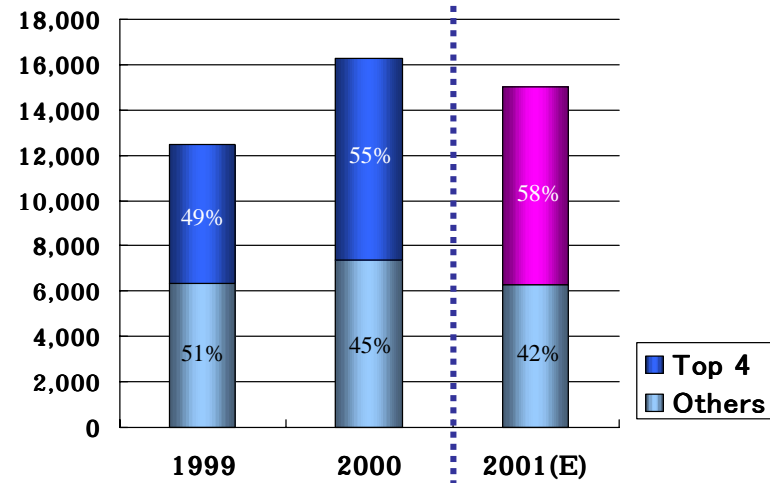
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Sales to Customers Breakdown

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(Yen in Millions)



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Future Outlook



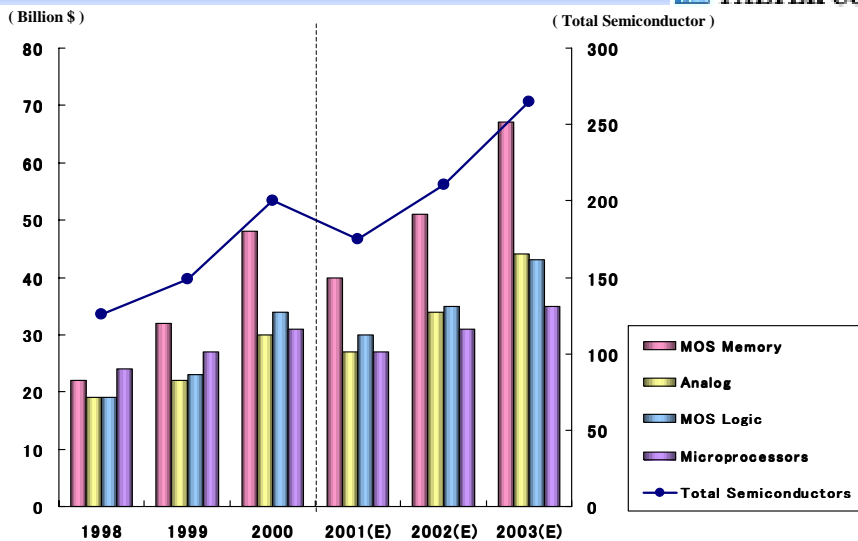
- Shorter-term
 - Temporary adjustment to business performance, due to current abrupt changes in conditions

- Longer-term
 - Recovery of the network market, return of strong demand from the Internet and other communications
 - Continuous growth expectations from PLDs/ASSPs as products increasingly become complex
 - Creating new business, acquiring new lines, leading to the development of new markets and opportunities

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Growth Projections - SIA



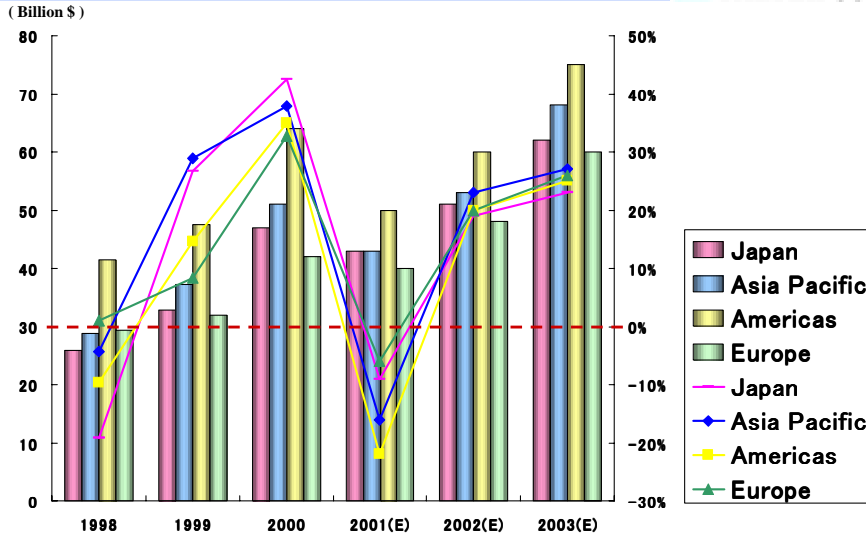
Source: Semiconductor Industry Association (SIA) June 6, 2001

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Growth Projections - SIA

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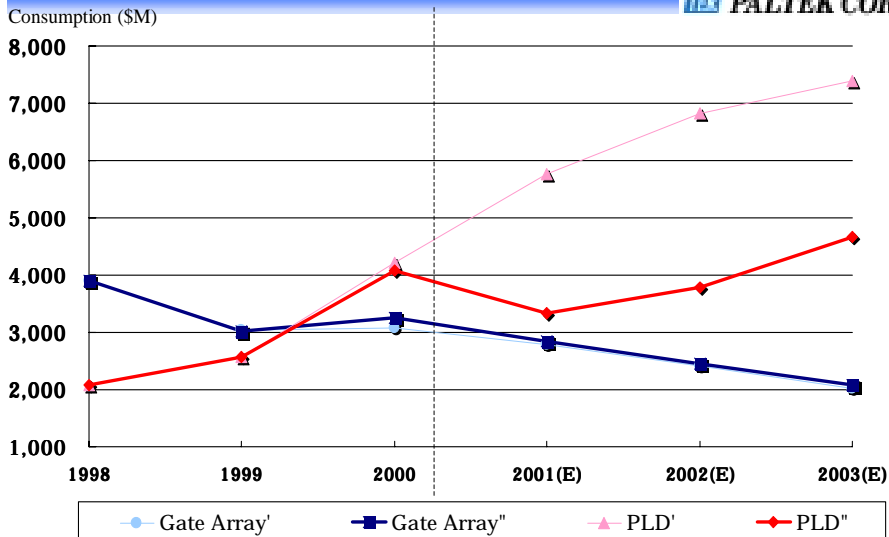
Source: Semiconductor Industry Association (SIA) June 6, 2001

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PLD & G/A Market (Worldwide)

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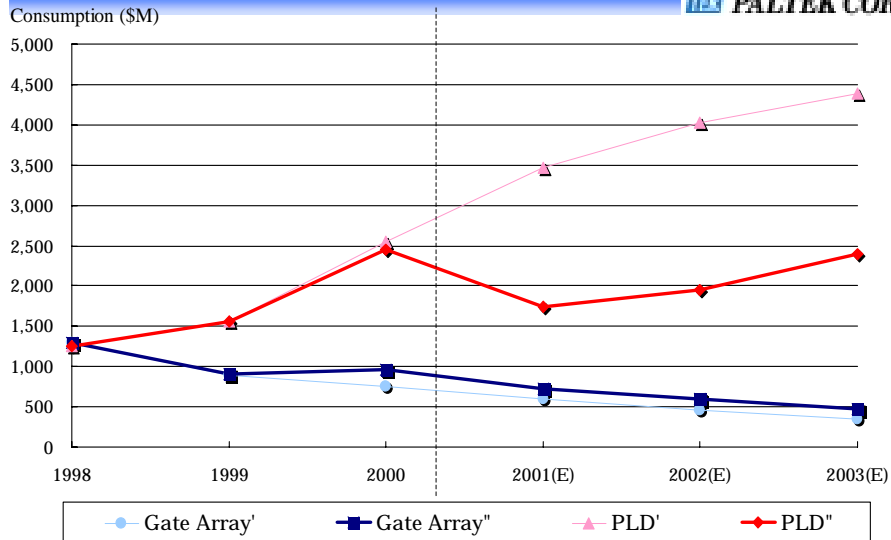
Source: Dataquest, October 2000 for G/A' and PLD'; May 2001 for G/A'' and PLD''

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PLD & G/A Market (Americas)

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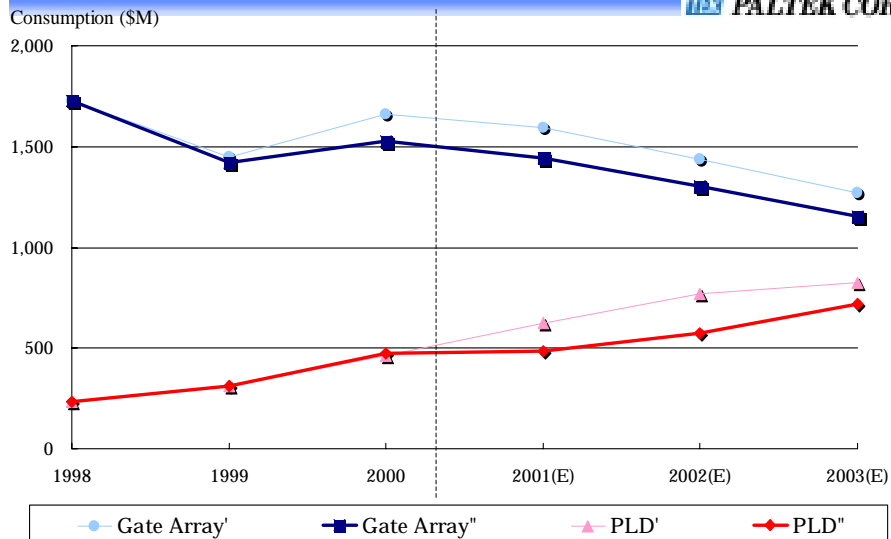
Source: Dataquest, October 2000 for G/A' and PLD' ; May 2001 for G/A'' and PLD''

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PLD & G/A Market (Japan)

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Source: Dataquest, October 2000 for G/A' and PLD' ; May 2001 for G/A'' and PLD''

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Business Objectives



- Maintain profitability for the current term
- Strong focus on getting “design wins” this year targeting returns for the next year
 - Restructuring of organization to focus on individual PLDs/ASSPs lines sales and designs
 - Continuous improvement on inventory control
 - Cost reductions to maintain profitability, however continuous investment to personnel
 - Acceleration of developing new business

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IR Contact



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