

Tadahito Takahashi, President and CEO
PALTEK Corporation
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Yokohama, 222-0033 Japan
(Security Code: 7587)
Person in charge : Yukio Miura
Director of Operational Services Division
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Notice regarding liquidation of a subsidiary

This is to inform that PALTEK Corporation made the decision to liquidate a subsidiary, Cygnet Technologies, Inc, at the board meeting on August 9th, 2002. Upon this decision, PALTEK Corporation declare the liquidation cost .

1. Outline of Cygnet Technologies, Inc.

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|-----------------------------------|---|
| (1) Company Name | Cygnet Technologies, Inc. |
| (2) Headquarters | 750 State Highway, 121 Bypass, Suite 150
Lewisville, Texas 75067 U.S.A |
| (3) Representative of Corporation | President Yukio Miura |
| (4) Capital | 8,255 千 US \$ |
| (5) Equity Ownership | 100% |

2. Background to liquidation decision

Cygnet Technologies, Inc. has been in business of developing and marketing network equipment and software. As informed at December 21, 2001 , PALTEK decided withdraw from management of Cygnet Technologies, Inc., and declared extraordinary expense about 1,400 million yen in fiscal year end 2001.

Continuous efforts were put to turn the business around for Cygnet Technologies, but the financial improvement was not realized. Under the circumstances, the Paltek board decided to withdraw from the management of Cygnet on February 8th, 2002, and explored the way to go about withdrawal. On August 9, 2002, the Paltek board decided to liquidate Cygnet Technologies and declare the liquidation cost .

(Translation)

3. Liquidation Expenses

PALTEK reported the taxable write-off charge of approximately 1,400 million yen in fiscal year 2001. Upon the decision of liquidation of Cygnet Technologies Inc., additional 149 million yen is declared as write-offs in the first half of fiscal year 2002.

4. Financial Impact on PALTEK

PALTEK incurred the extraordinary expense from the liquidation of Cygnet Technologies in the first half of Fiscal year 2002. However, this decision to liquidate Cygnet results in tax benefits and PALTEK, hereby, raises the consolidated net profit of this first half of fiscal year to 386 Million yen from the early projection of 6 million yen.

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Questions concerning this Press Release:

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