

# **PALTEK**

*(OTC:7587)*

## *Results Explanatory Meeting*

*Fiscal Year 2002  
Third Quarter*

## **Contents**

- Semiconductor Market Overview
- Fiscal Year 2002 Third Quarter Results  
(Consolidated/Non-Consolidated)
- PALTEK Subsidiaries Conditions
- Revisions to the the FY2002 Forecast

## Part I -- Semiconductor Market Overview

FY2002 Third Quarter Results

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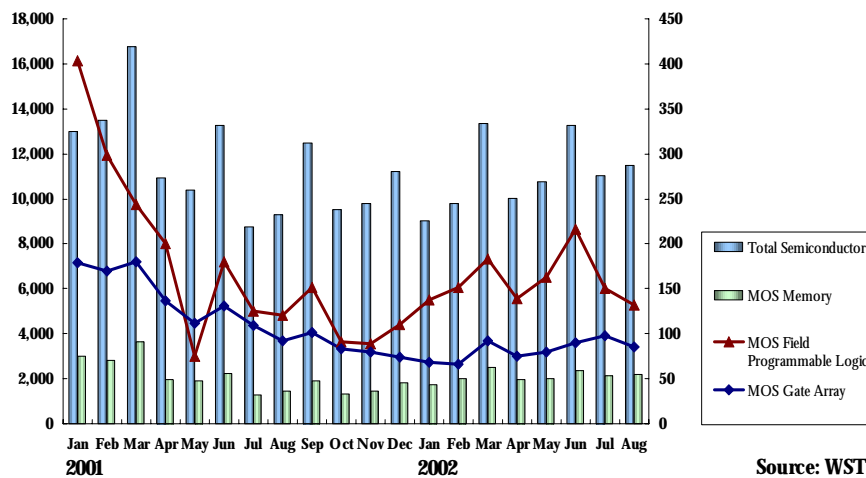
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## Worldwide Semiconductors

Total Semiconductor,  
MOS Memory

Unit: Dollars in Millions

FPL, G/A



Source: WSTS

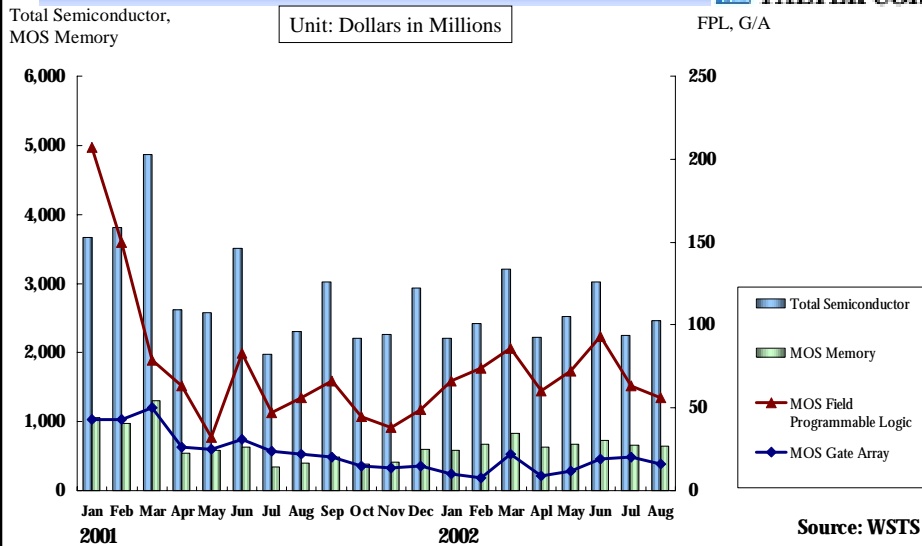
FY2002 Third Quarter Results

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# Americas Semiconductors

SOLUTION SUPPLIER  
**PALTEK CORP.**



Source: WSTS

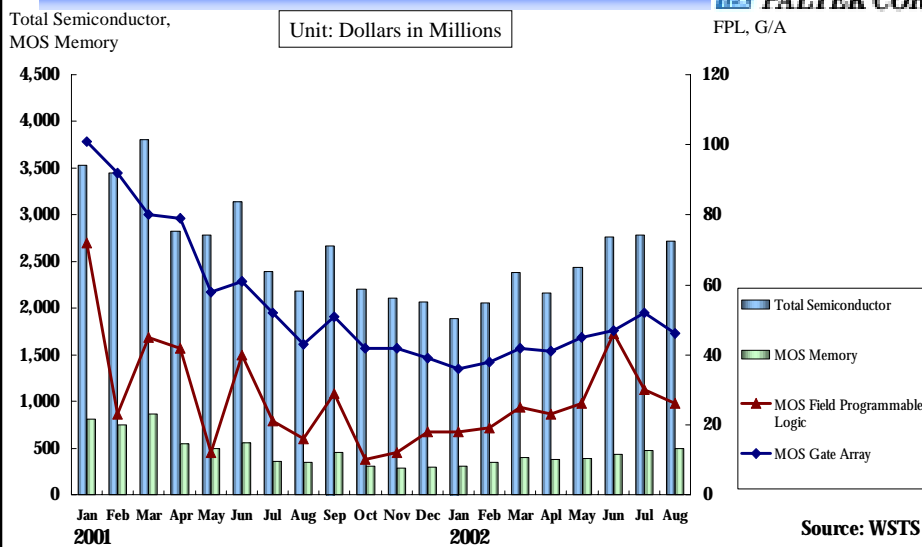
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# Japan Semiconductors

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Source: WSTS

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## *Part II -- Fiscal Year 2002 Third Quarter Results*

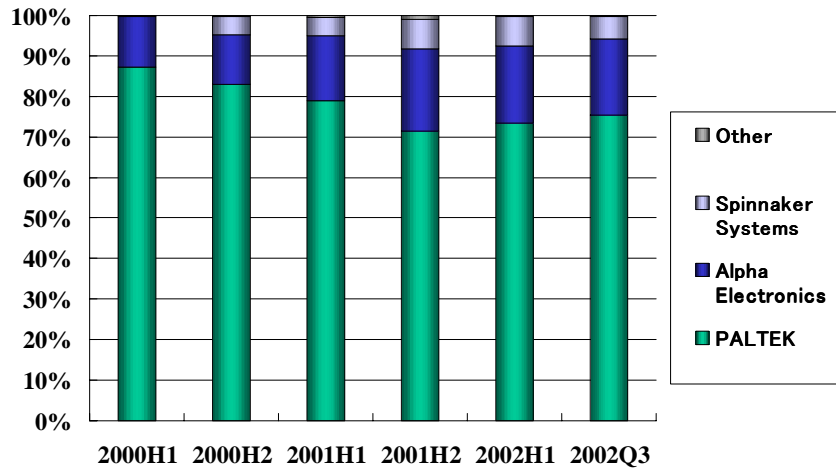
## **Third Quarter Results**

- **Consolidated Results : ¥ 4,070 Million**  
(unaudited consolidated adjustment account)  
**(Y-on-Y Growth 102.6%)**  
**(Q-on-Q Growth 129.3%)**
  
- **Non-Consolidated Results : ¥ 3,358 Million**  
**( Y-on-Y Growth 114.8%)**  
**( Q-on-Q Growth 136.0%)**

Please note that the Quarter Results are unaudited financial statements.

# Sales to Subsidiaries Breakdown

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Spinnaker Systems and Cygnet Technologies, Inc. has been included into consolidated accounts since 00H2 and axelec corporation has been included into consolidated accounts since 01H2.

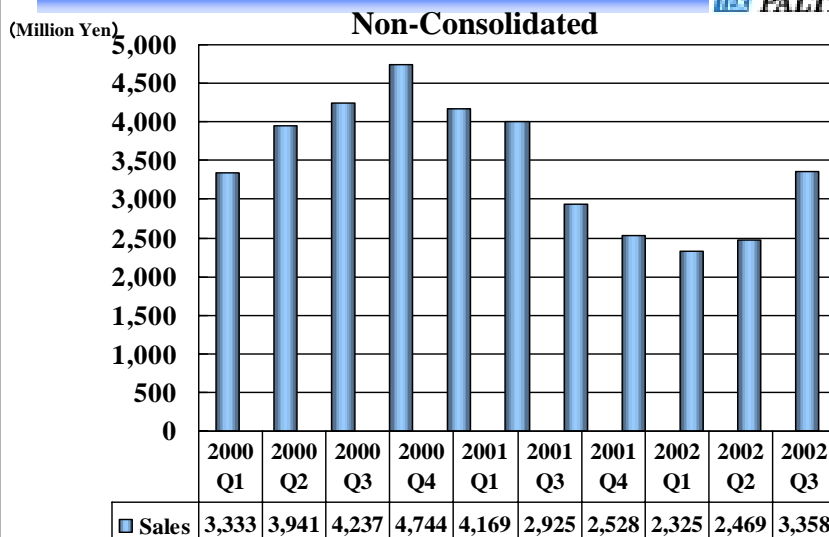
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# Sales by Quarter

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Please note that the Quarter Results are unaudited financial statements.

FY2002 Third Quarter Results

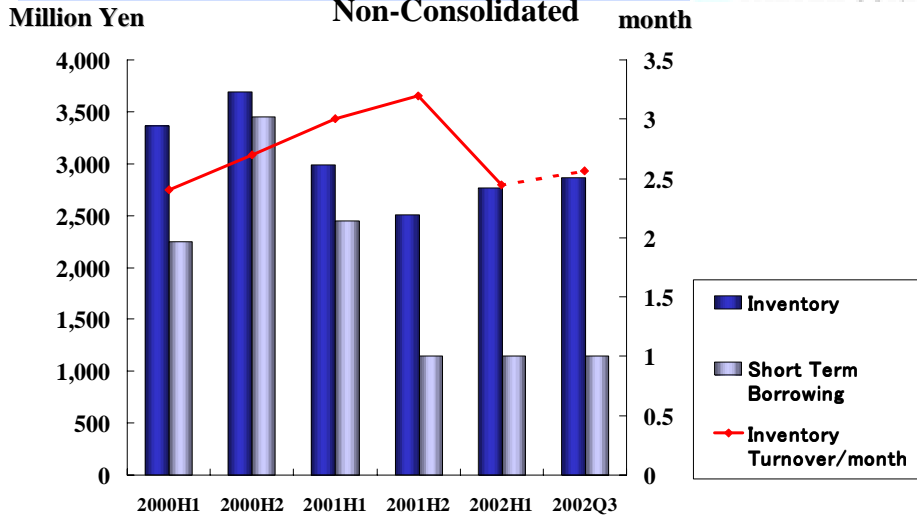
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# Inventory & Short Term Borrowings

(2000.6-2002.9)

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Inventory turnover improved to 2.45month as the result of sales increase

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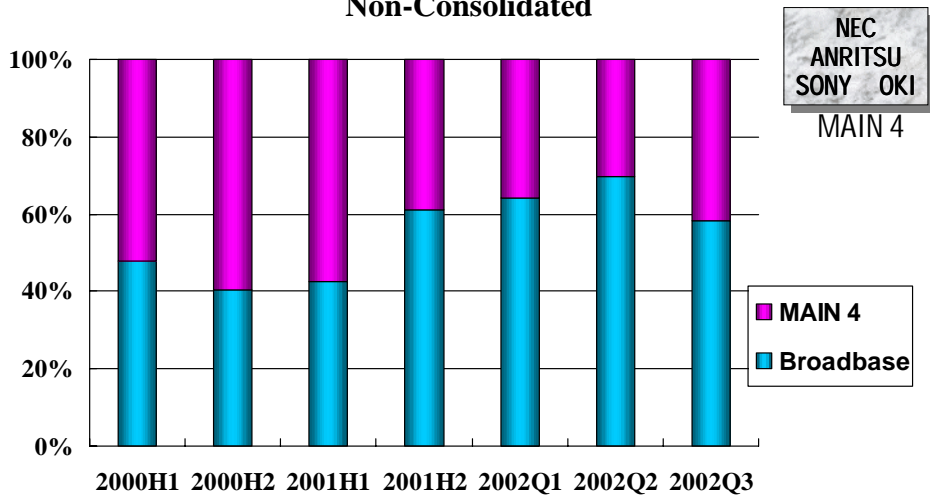
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# Sales to Customers Breakdown

Non-Consolidated

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The sales of Broadbase shows 14% quarter-on-quarter growth

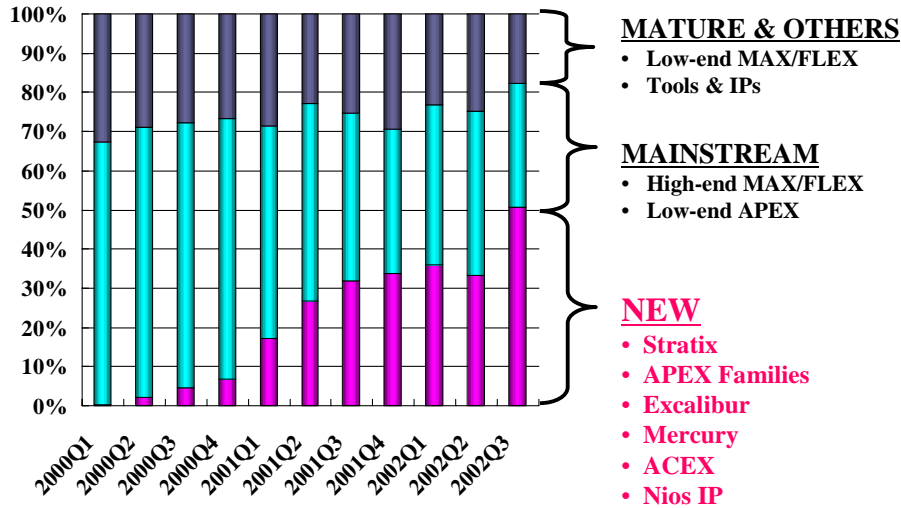
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# PLD - Product Category Mix

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# Supplier Topics (1)

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- **ALTERA**
  - Promotion Campaign of “Stratix Device Family” looks promising.
  - New Product “Cyclone Device Family” is announced.
- **AudioCodes**
  - Many VoIP carriers postpone capital investment. Some customers are remain strong.
- **Infineon Technologies**
  - Slow start due to the slow recovery of IT investments.

 Cyclone

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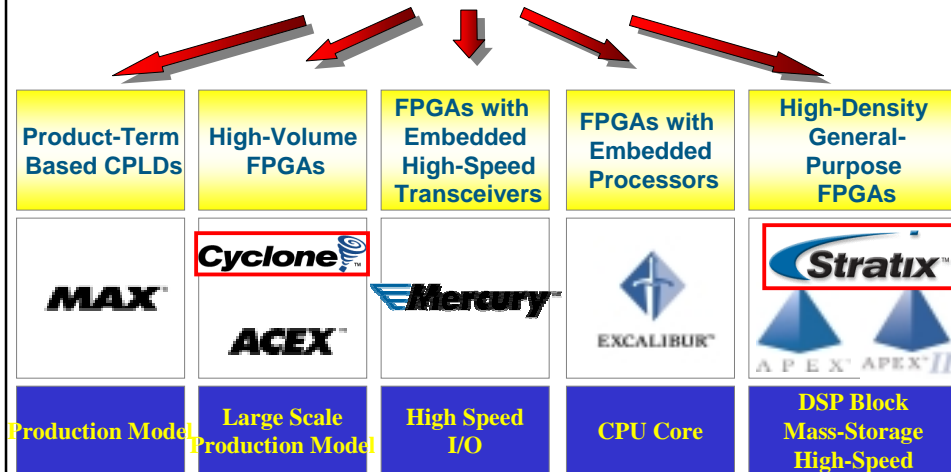
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## Supplier Topics (2)

~ PLD Products Strategy ~

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### PLD Products Strategy



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## Supplier Topics (3)

~ New Suppliers ~

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- **PALTEK**

- **BRECIS Communications**



- Provider of new class of network processor for communication equipment such as Home Gateway

- **Ashley Laurent**



- Software vendor in the field of Network Security

- **axelec Corporation**

- **STMicroelectronics**



- Leading provider in the Broadband field

- **IVT Corporation**



- Leading Provider in Bluetooth turnkey solution

FY2002 Third Quarter Results

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## *Part III -- Subsidiaries Conditions*

## **Alpha Electronics, Inc**

- **FY2002 ends September 30, 2002**
  - Sales and Profits drops year-on-year basis, but shows recovery since the second half of FY2002.
  - Sales of Altera products are stable.
- **Topics**
  - Obtained ISO9001 certification in September 2002.
  - Fiscal term to be changed to end in December. 15month-results (Oct. 01~Dec. 02) to be reflected in FY2002 consolidated results.

# Spinnaker Systems, Inc.



- **Sales and Profits are deteriorated rapidly due to the slump in the semiconductor market**
- **Countermeasures**
  - **Strategic changes in product lines**
  - **Strengthen management with PALTEK.**
    - relocation of head office to Shin-Yokohama

FY2002 Third Quarter Results

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# axelec Corporation



- **Nurture new business with new suppliers**
  - **STMicroelectronics**
    - Upon the acquisition of DSL and Bluetooth business of Alcatel by STMicroelectronics, PALTEK started negotiation with STMicroelectronics and successfully entered into distribution agreement.
    - Provider of Bluetooth and VoIP products for Broadband market
  - **IVT Corporation**  
(International Validation & Testing Corporation)
    - Leading provider of Bluetooth turnkey solution

FY2002 Third Quarter Results

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## *Part IV -- Revisions to the FY2002 Forecast*

## Prerequisite for Result Forecast

	Macroeconomic factor	Communication Equipment Market	VoIP Market	Other Markets
Previous Forecast				
Revised Forecast				
	Customers		Suppliers	
	Main Cust.	Broadbase	PLD	Network
Previous Forecast				
Revised Forecast				

## Factors of Revision



- Consolidated Results
  - Downward sales forecast of PALTEK
  - Decline in business performance of Spinnaker Systems, Inc.
  - Fiscal term change of Alpha Electronics
- Non-Consolidated Results
  - Sales
    - Prolonged slump in communication equipment market
    - Cutback of capital investment by VoIP Carriers
  - Profits
    - Gross margin remains unchanged
    - Ongoing efforts for cost reduction

FY2002 Third Quarter Results

PALTEK CORPORATION

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## Year End Projections (FYE2002)



### Consolidated

Million Yen	FY2002 Previous Forecast	FY2002 Revised Forecast	Increase/Decrease Y-on-Y Percentage	Y-on-Y Growth
<b>Sales</b>	<b>17,073</b>	<b>15,028</b>	<b>Δ12.0%</b>	<b>Δ13.8%</b>
<b>Operating Profits</b>	<b>514</b>	<b>514</b>	<b>—</b>	<b>38.6%</b>
<b>Recurring Profits</b>	<b>609</b>	<b>609</b>	<b>—</b>	<b>154.1%</b>
<b>Net Profits</b>	<b>600</b>	<b>600</b>	<b>—</b>	<b>—</b>
<b>EPS(yen)</b>	<b>50.68</b>	<b>50.68</b>	<b>—</b>	<b>—</b>

(Note) Due to the fiscal term change of Alpha Electronics in FY2003, FY2002 consolidated results reflect it's results between Oct. 2001 and Dec. 2002.

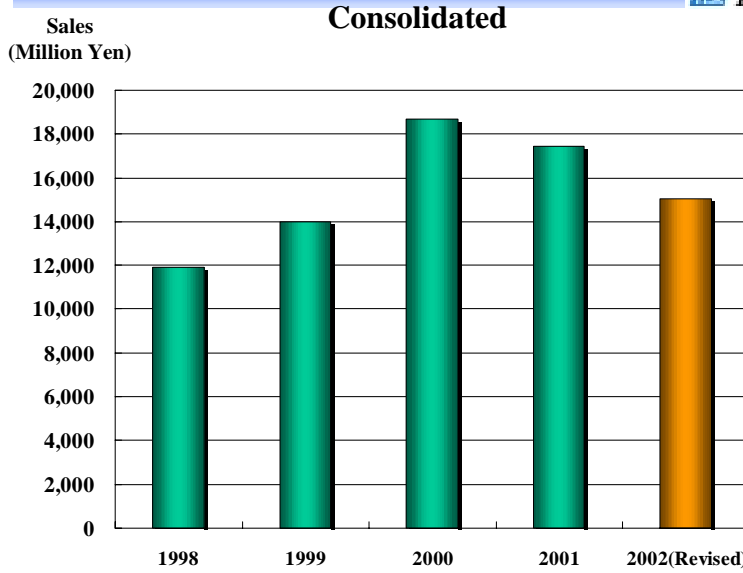
FY2002 Third Quarter Results

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# Year-on-Year Growth

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**PALTEK CORP.**



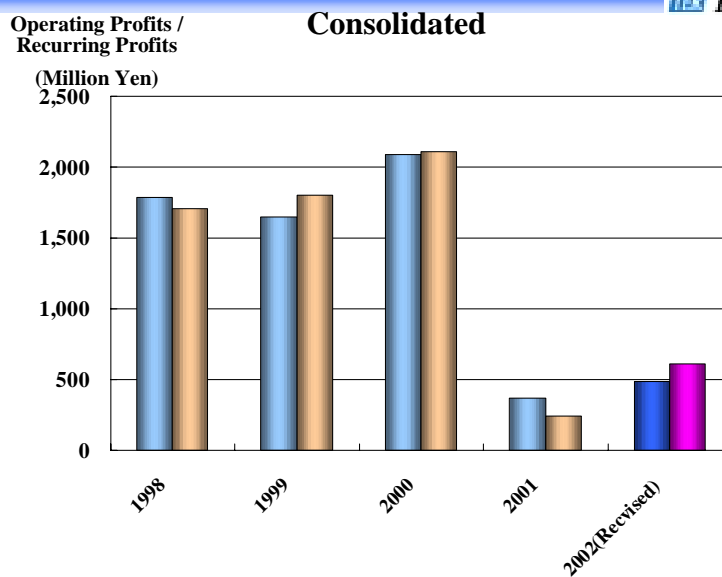
FY2002 Third Quarter Results

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# Year-on-Year Growth

**SOLUTION SUPPLIER**  
**PALTEK CORP.**

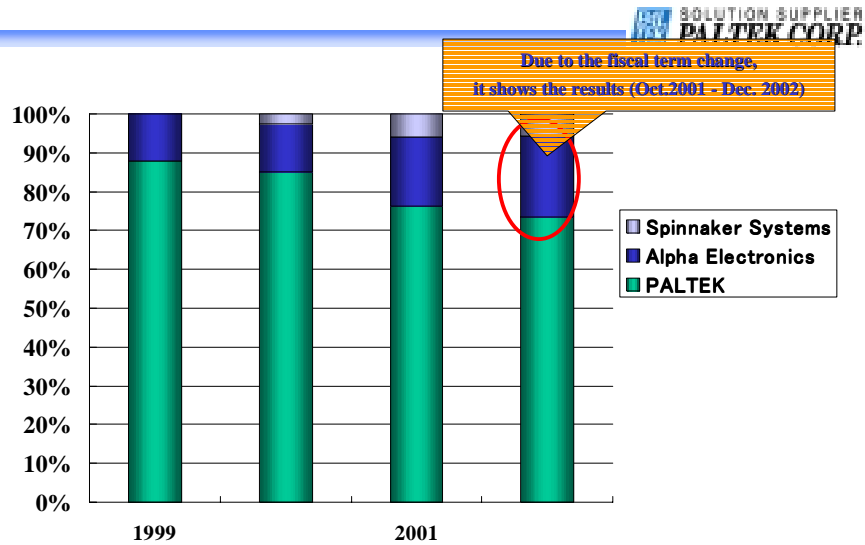


FY2002 Third Quarter Results

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## Sales to Subsidiaries Breakdown



(Note) Spinnaker Systems has been included into consolidated accounts since 00H2

FY2002 Third Quarter Results

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## Year End Projections (FYE2002)

Non-Consolidated

Million Yen	FY2002 Previous Forecast	FY2002 Revised Forecast	Increase/Decrease Percentage	Y-on-Y Growth
<b>Sales</b>	<b>14,000</b>	<b>11,500</b>	<b>Δ17.9%</b>	<b>Δ15.6%</b>
<b>Operating Profits</b>	<b>740</b>	<b>740</b>	<b>—</b>	<b>Δ40.8%</b>
<b>Recurring Profits</b>	<b>849</b>	<b>849</b>	<b>—</b>	<b>Δ26.3%</b>
<b>Net Income</b>	<b>398</b>	<b>398</b>	<b>—</b>	<b>—</b>
<b>EPS(Yen)</b>	<b>33.62</b>	<b>33.62</b>	<b>—</b>	<b>—</b>

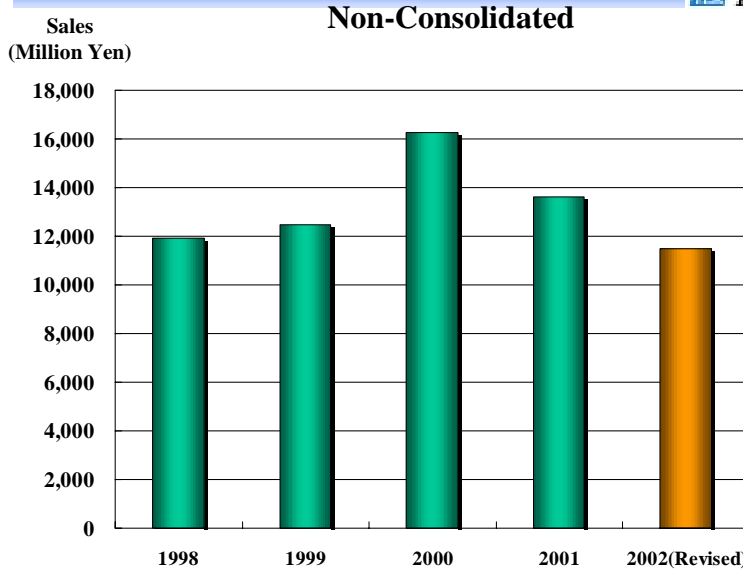
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# Year-on-Year Growth

**SOLUTION SUPPLIER**  
**PALTEK CORP.**



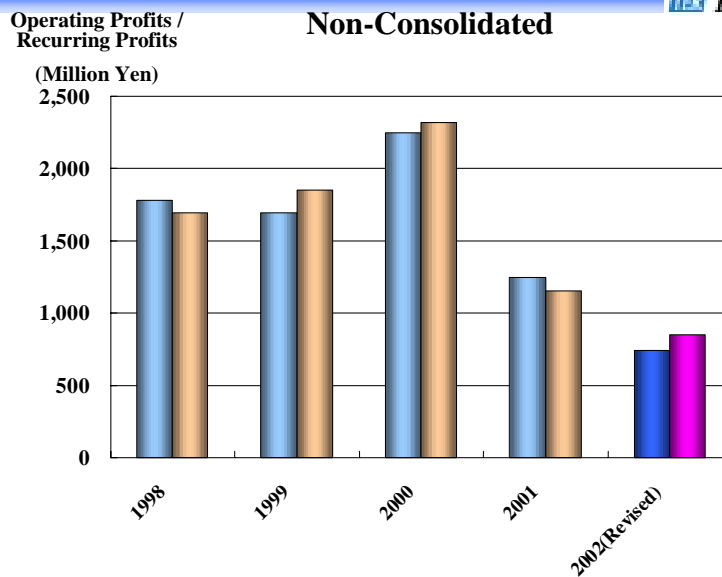
FY2002 Third Quarter Results

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# Year-on-Year Growth

**SOLUTION SUPPLIER**  
**PALTEK CORP.**

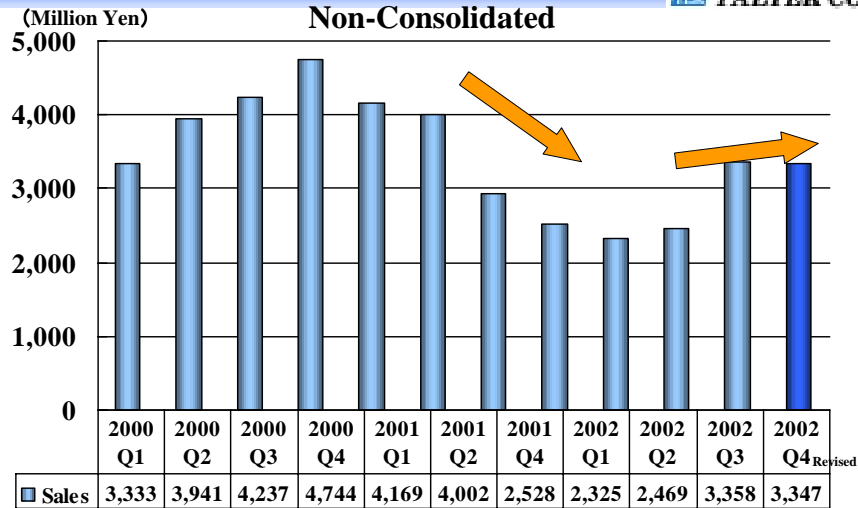


FY2002 Third Quarter Results

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# Sales by Quarter



Please note that the Quarter Results are unaudited financial statements.

FY2002 Third Quarter Results

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# Safe Harbor Disclaimer



This presentation may provide projections or other forward-looking statements regarding future events and/or future financial performance. We wish to caution you that such statements are just predictions and that actual events or results may differ materially due to changes in the market and/or other business conditions.

FY2002 Third Quarter Results

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# Attachments



- **Semiconductor Market Overview (Quarter version)**
  - Worldwide / Americas / Japan
- **PALTEK Group Company Outlines**

FY2002 Third Quarter Results

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# Alpha Electronics, Inc.



**Name:** Alpha Electronics, Inc.  
**Established:** September 1974  
**Headquarters:** 1-14-33 Esaka, Suita-shi, Osaka  
**Capital:** 97.2 Million Yen (As of September 30, 2002)  
**Capital Ratio:** 84.3%  
**Acquisition:** October 1998  
**President:** Keizo Inoue  
**Business:** Bridgehead in Kansai region for PALTEK group  
Product Offerings include semiconductors,  
electronic components, and system equipment  
**Products:** National Semiconductor, Fairchild Semiconductor  
Altera, Sophia Systems, Alpha Electronics Corp.

<http://www.alpha-denshi.co.jp/>

FY2002 Third Quarter Results

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# Spinnaker Systems, Inc.

 SOLUTION SUPPLIER  
PALTEK CORP.



**Name:** Spinnaker Systems, Inc.  
**Established:** October 1995 <http://www.spinnaker.co.jp/>  
**Headquarters:** 2-3-12 Shin-Yokohama Kouhoku-ku, Yokohama  
222-0033 Japan  
**Capital:** 245.5 Million Yen (As of September 30, 2002)  
**Capital Ratio:** 100%  
**Acquisition:** June 2000  
**President:** Isao Tanabe  
**Business:** • EDA Software  
• IP (Intellectual Property) Design  
• Technology Consultant  
• SoC Design Support based on PLD platform  
**Business Partners:** Mentor Graphics, Plato Design Systems, Inc. etc

FY2002 Third Quarter Results

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# axelec corporation

 SOLUTION SUPPLIER  
PALTEK CORP.



**Name:** *axelec* Corporation  
**Established:** June 2001 <http://www.axelec.net/>  
**Headquarters:** 2-3-19 Shin-Yokohama Kouhoku-ku, Yokohama  
222-0033 JAPAN  
**Capital:** 40 Million Yen (As of September 30, 2002)  
**Capital Ratio:** 50% (PALTEK) : 50% (Marubun Corporation)  
**President:** Yoshio Sakurai  
**Business:** Provide Total Solutions for the Broadband Network  
• Offerings include Hardware, Software, Consulting Services  
- SAN (Storage Area Network) Technologies  
- Storage Router Technologies  
- Residential Gateway Technologies  
- Home Networking Technologies  
**Product Lines:** NetSilicon, PLX Technology, STMicroelectronics

FY2002 Third Quarter Results

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# HYPER-PALTEK Corporation

 SOLUTION SUPPLIER  
PALTEK CORP.



**Name:** HYPER-PALTEK Corporation

**Established:** January 2001

<http://www.hyper-paltek.com>

**Headquarters:** 2-3-12 Shin-Yokohama Kouhoku-ku, Yokohama  
222-0033 JAPAN

**Capital:** 10 Million Yen (As of September 30, 2002)

**Capital Ratio:** 49% (PALTEK) : 51% (HYPER Corp.)

**President:** Kurt B. Fischer

**Business:** Total Bluetooth Qualification Services

- Documentation Service (English, Japanese)
- Consulting Service (Development of Test Plan, Product Testing)
- Review the Test Result, Authorization, Registration to the Official Site