

February 18, 2003

Tadahito Takahashi, President  
PALTEK CORPORATION (Code: 7587)  
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## **Stock option Granted to directors of the Company**

PALTEK Corporation announced today to grant stock options to directors, which was resolved at the meeting of the Board of Directors held on February 18 2003, in accordance with the stipulations of Clauses 20 and 21 of Article 280 of the Commercial Code of Japan.

### 1 : The purpose

The decision to grant a stock option to the directors is intended to link the compensation of directors of the Company more directly to the Company's business performance and value in the market, thereby providing the directors with a greater incentive to advance the company's value in the market.

### 2 : Summary of the stock option scheme

- (1) Persons eligible for grant of subscription rights  
Directors of the Company
- (2) Class and maximum number of shares to be issued upon exercise of the subscription rights  
Ordinary shares of common stock in the Company, up to a maximum of 80,000 shares
- (3) Total number of subscription rights to be issued  
A maximum 800 subscription rights in aggregate (each subscription right shall entitle the holder to buy 100 ordinary shares of common stock)
- (4) Issue price of share subscription rights  
Gratis grant
- (5) Payment due upon exercise of subscription rights  
The amount payable to the Company upon the exercise of all subscription rights shall be the exercise price per share as described in the following paragraph, multiplied by the number of shares shown in (3) above (100 shares).

The exercise price per share shall be the averaged closing price for ordinary shares of common stock of the Company published by the Japan Securities Dealers Association during the month prior to the issue date of the subscription rights (hereinafter "issue date"), excluding days on which no closing price is quoted, multiplied by 1.05 (fractions less than 1 yen shall be rounded up to the next highest yen).

If the value calculated as mentioned above is below the closing price on the issue date published by the Japan Securities Dealers Association, the latter shall be deemed the exercise price. In the case where no quotation is available for the closing price in question, the latest relevant price shall be adopted.

In the event that the Company carries out a stock split or reverse stock split, and issues new shares, or disposes of its treasury shares at a price less than the market price (excluding cases of the exercise of share subscription rights or share purchase rights stipulated in Article 280-19 of the Commercial Code before enforcement of the amendment law (2001 Law number 128), hereinafter, the same), the payment shall be subject to adjustment in accordance with the following formula, and fractions less than 1 yen shall be rounded up to the nearest yen. Moreover, in the event of a reduction in the Company's capital, a merger of the Company, or a split-up of the Company, the management may adjust the payment per share as necessary.

## (Translation)

1. In the event of a stock split or reverse stock split:

$$\text{Exercising price per share after adjustment} = \text{Exercising price per share before adjustment} \times \frac{1}{\text{Ratio of split}}$$

2. In the event of the issue of new shares or the disposal of treasury shares below market price

$$\text{Exercising price after adjustment} = \text{Exercising price before adjustment} \times \frac{\text{Number of shares issued and outstanding} + \frac{\text{Number of shares to be issued (or disposal of)} \times \text{Exercise price per share}}{\text{Market price per share}}}{\text{Number of shares issued and outstanding} + \text{Number of shares to be issued (or disposal of)}}$$

- (6) Exercise period

Two years from July 1, 2006 to June 30, 2008

- (7) Conditions for the exercise of the subscription rights

1. Eligible persons (hereinafter, rights holders) must be directors, corporate auditors, or employees of the Company, a subsidiary or an equity-method affiliate of the Company (including persons terminating their jobs within three months starting from the next month of termination) when they exercise their subscription rights in part or in whole.
2. Subscription rights may not be transferred, pledged, or otherwise disposed of, nor may they be inherited.
3. Other detailed provisions regarding the subscription rights in question shall be stipulated in a share subscription rights allotment agreement concluded between the Company and the rights holders. The agreement shall be by resolution of the general meeting of shareholders for the term ended December 31, 2002, and of the board of directors of the Company at a meeting to be held subsequent to the said shareholders' meeting.

- (8) Reasons and conditions for cancellation of share subscription rights

1. In the event that a merger shall be agreed by a general meeting of the Company's shareholders under which the Company shall become the absorbed company, or in the event that a general meeting of the Company's shareholders shall agree to a stock swap contract or share-to-share transfer agreement under which the Company will become a wholly owned subsidiary of another business corporation, the Company reserves the right to cancel the said subscription rights without compensation.
2. In the event that, without having exercised his or her subscription rights, a holder of subscription rights dies or loses qualification for exercise of subscription rights described in (7) above, the Company reserves the right to cancel the subscription rights without compensation.
3. The Company shall be permitted to cancel subscription rights without compensation in the event that a holder of subscription rights is unable to exercise them within the period stipulated in (6) above.

- (9) Limitations on transfer of the share subscription rights

The share subscription rights shall not be transferred without approval of the board of directors.

(Note) 1: The resolution described above is subject to approval at the 21<sup>st</sup> regular Shareholders Meeting to be held on March 29, 2003.

(End of Document)

Questions concerning this Press Release:

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