



PALTEK

(JQ:7587)

*Fiscal Year 2003
Quarter One*

2003.4.15 (Tue)

FY2003 First Quarter Results

April 15, 2003

Agenda



- ◆ **Fiscal Year 2003 First Quarter Results**
(FY2003 January 1,- March 31,)

- ◆ **Implementation of the Business Strategy**

- ◆ **Providing system solutions to
the emerging markets**
System Solution Division General Manager
Kanamori Masanori

FY2003 First Quarter Results

April 15, 2003



Part I

Fiscal Year 2003 First Quarter Results (FY2003 January 1,- March 31,)

FY2003 First Quarter Results

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Summary of the First Quarter in FY2003

(Consolidated)

◆ Revenue increase by a y/y 46.9%

- ◆ Trans-terrestrial Digital Broadcasting applications are strong.
- ◆ PLD is expanding its application fields into communication products market, industrial products market and digital consumer products market. This enables to broaden customer bases for PALTEK group.
- ◆ Replacement efforts from Xilinx products to Altera products are paying off.
- ◆ National Semiconductor products (analog) are capturing the markets of digital consumer products such as mobile phone and DSC.

◆ Operating income ratio showed extensive improvement: 9.3% (4.3% in FY2002)

- ◆ Gross margin shows a slight decrease compared with FY 2002.
- ◆ As the result of the lump-sum amortization of consolidation goodwill last year, S.G.&A. is decreased.

◆ Ordinary Income ratio greatly improved: 10.5% (4.9% in FY2002)

- ◆ Exchange rate was more favorable than expected

FY2003 First Quarter Results

April 15, 2003

Fiscal Year 2003 First Quarter Results



(Consolidated)

	FY2003 Q1 Results	FY2002 Results
Sales	¥ 4,626 M	¥ 15,614 M
Operating Income	¥ 431 M	¥ 660 M
Operating Income Ratio	9.3%	4.3%
Ordinary Income	¥ 484 M	¥ 762 M
Ordinary Income Ratio	10.5%	4.9%

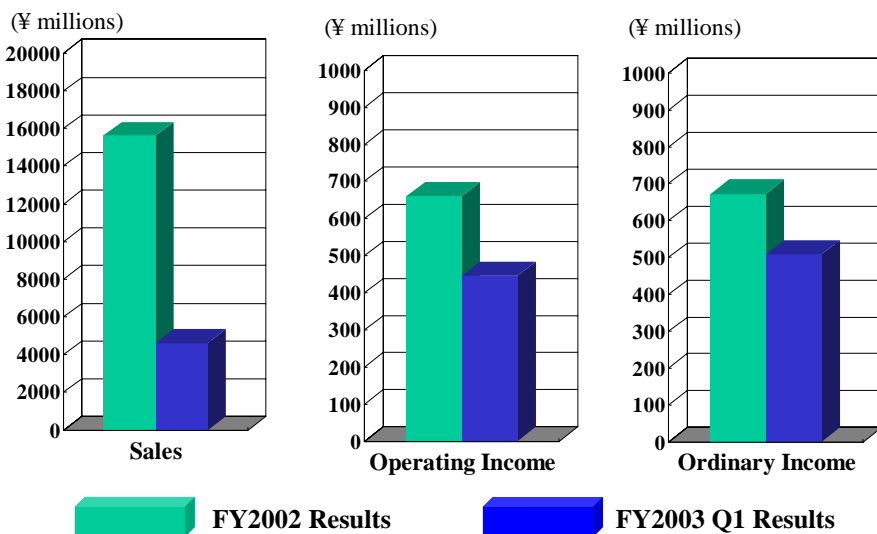
FY2003 First Quarter Results

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Summary of the First Quarter in FY2003



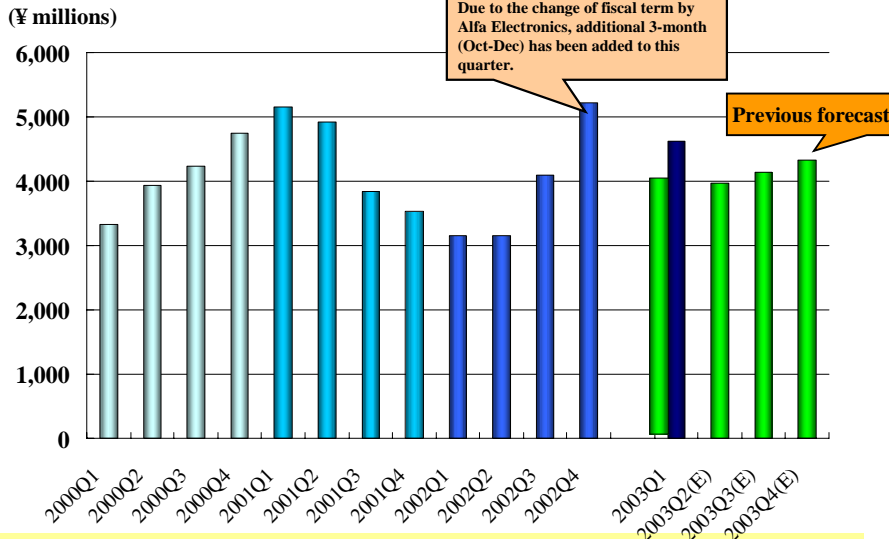
(Consolidated)



FY2003 First Quarter Results

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Sales by Quarter (Consolidated)



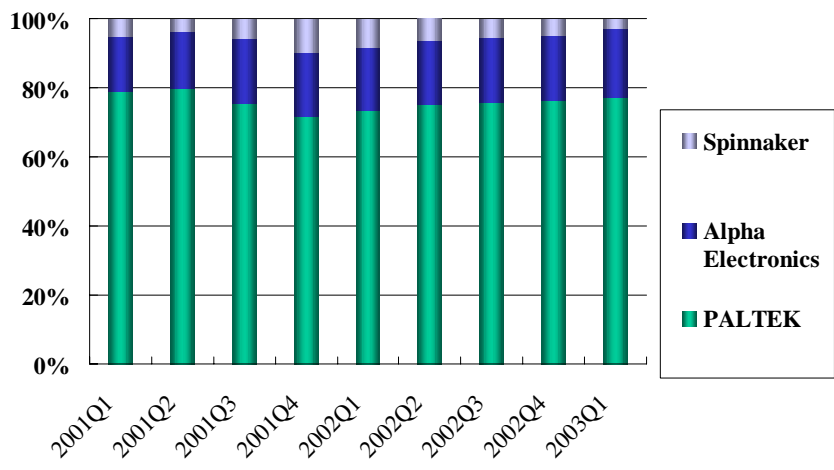
Shift of the demand season is shown due to shorten the delivery term (Q4→Q1)

FY2003 First Quarter Results Please note that the Quarter results are unaudited financial statements. April 15, 2003

Sales by Companies



(Consolidated)



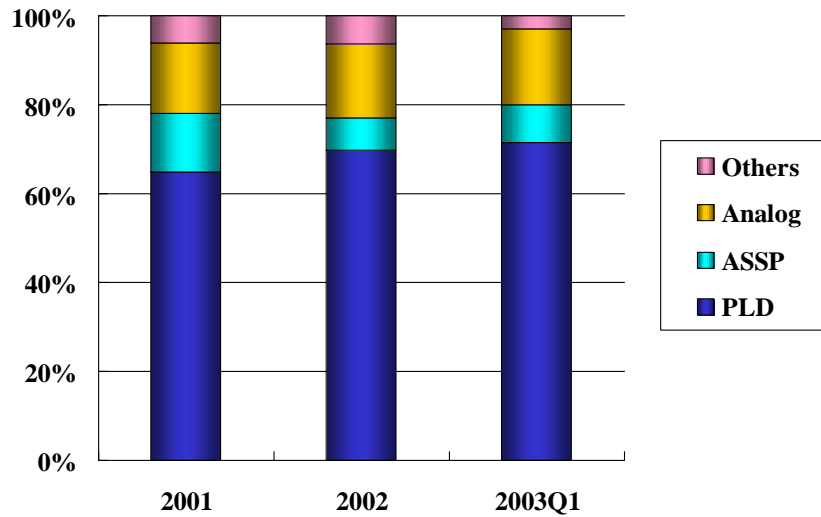
FY2003 First Quarter Results

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Sales by Products



(Consolidated)



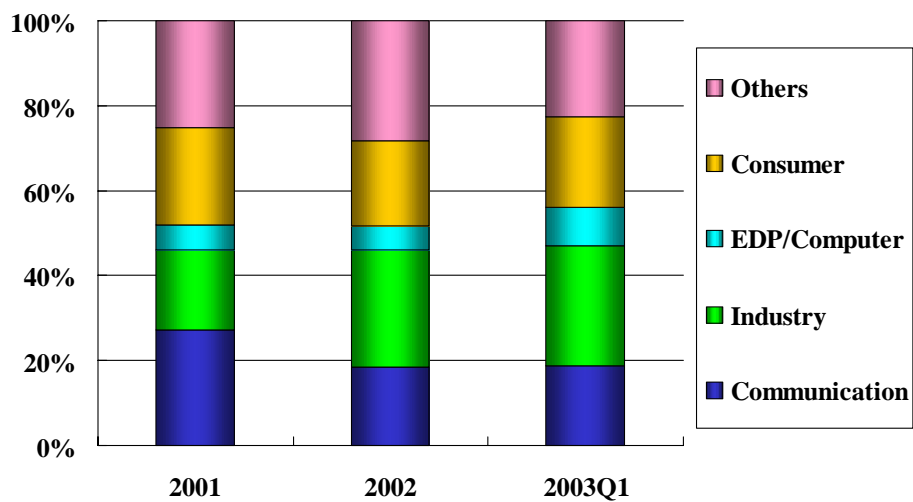
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Sales by Applications



(Consolidated)



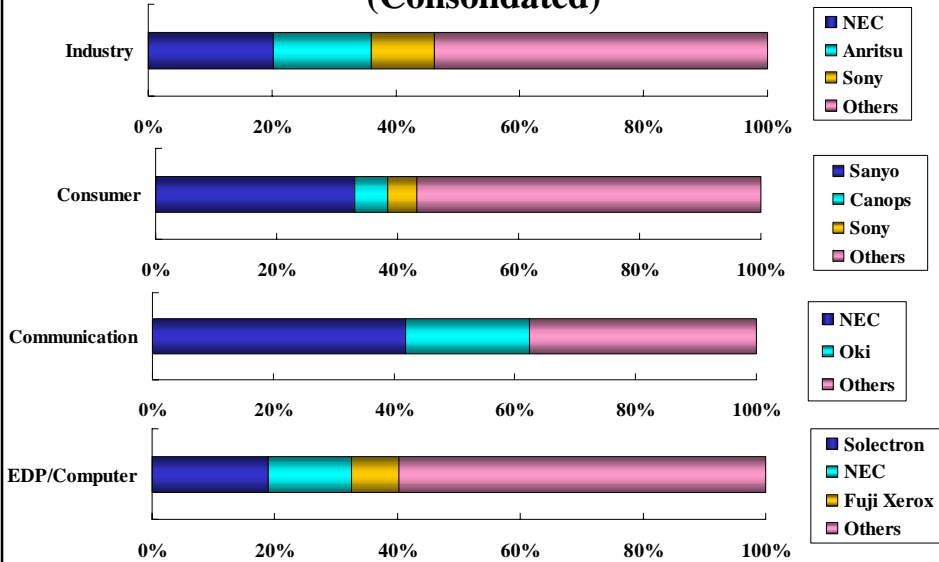
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Sales by Applications



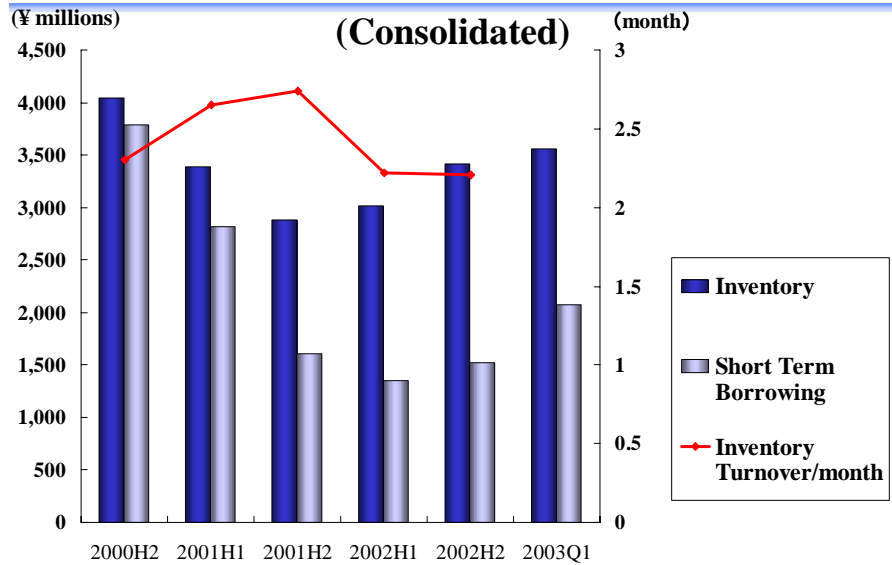
(Consolidated)



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Inventory & Short Term Borrowing



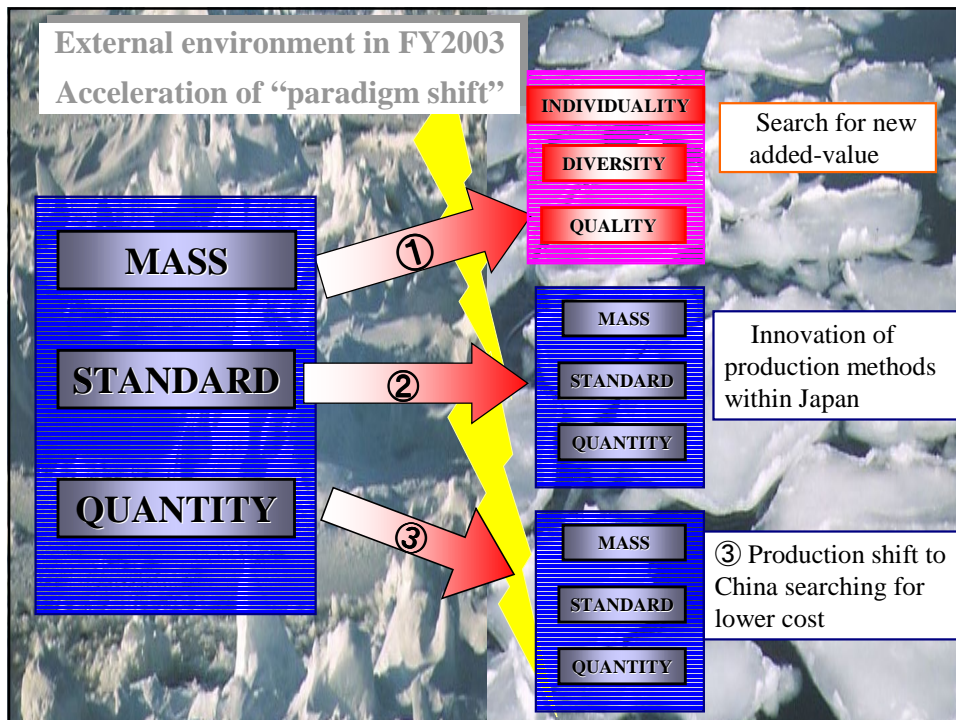
Based on sales increase, inventory tends to increase.

FY2003 First Quarter Results

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Part II

Implementation of the Business Strategy



Business Development



1. Strengthen Fundamental PLD Business (①, ②)

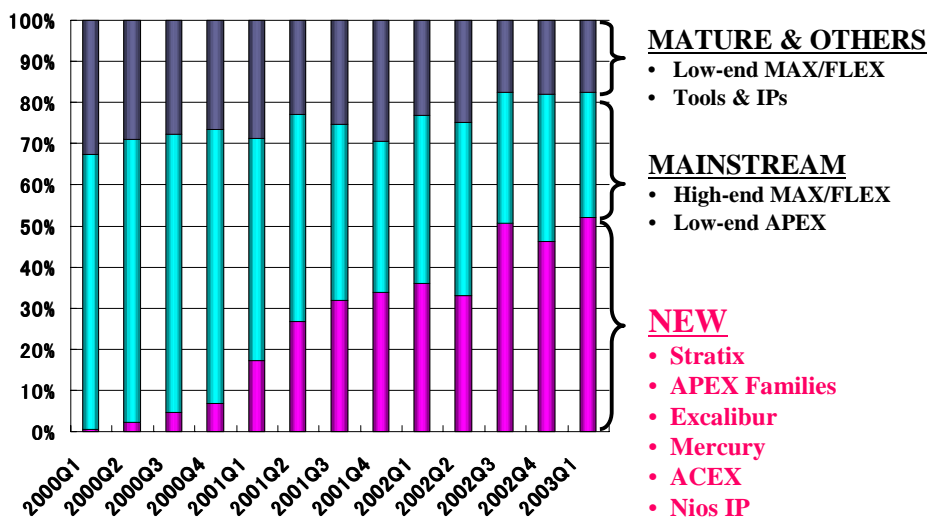
2. Provide Solutions to Emerging Markets (①, ②)

3. Establish New Business Models with Cooperative Venture Companies (①)

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Contribution to Sales by PLD Category



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Business Development



1. Reinforce Fundamental PLD Business (①, ②)

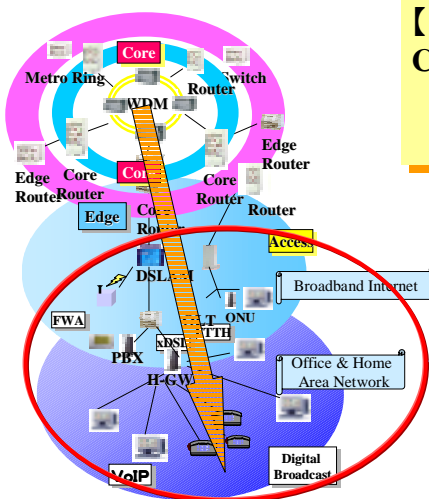
2. Provide Solutions to Emerging Markets (①, ②)

3. Establish New Business Models with Venture Companies (①)

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Solutions to Emerging Markets



【 Market Environment 】

Core Network → Access Network
Integration of digital consumer products, computers and communication products.

High Potential Markets

- IP phone service utilizing VoIP
- Business related broadband access at home, SOHO and office.

Broadband Router, ADSL, VDSL
CATV Modem, FTTH

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Topics



◆ Strengthening corporate governance

— to share risks with all shareholders

- ◆ Revision of stock option system
- ◆ Establishment of stock ownership plan for PALTEK executives
- ◆ Encourage the employees to participate in stock ownership system

◆ Encourage More Participation at Shareholders Meeting

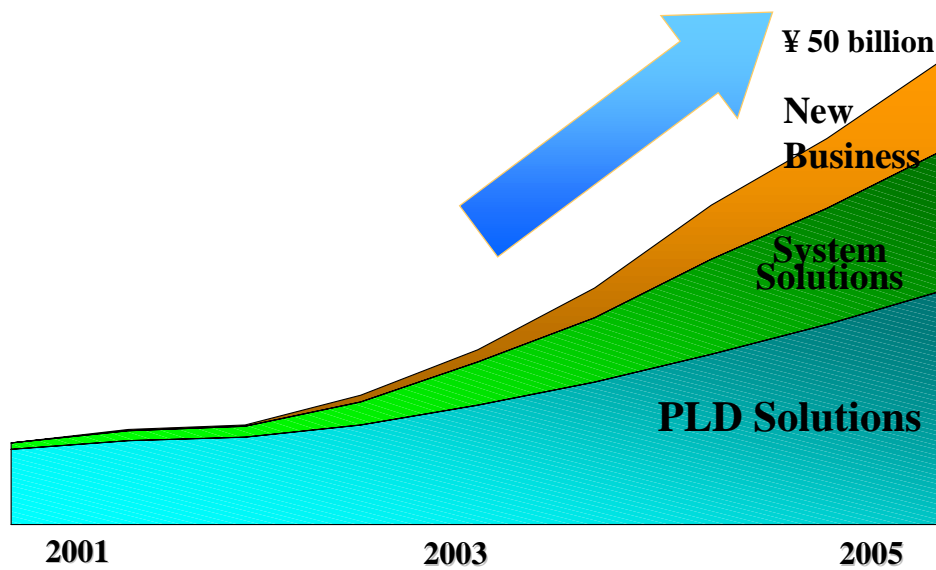
- ◆ Adopted online voting system
- ◆ Held the meeting on Saturday afternoon
- ◆ Disclosed the visualized information on consolidated basis
- ◆ Empowered “Question and Answer session” by increased attendees

◆ Disclose the quarterly results

FY2003 First Quarter Results

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Future Growth



FY2003 First Quarter Results

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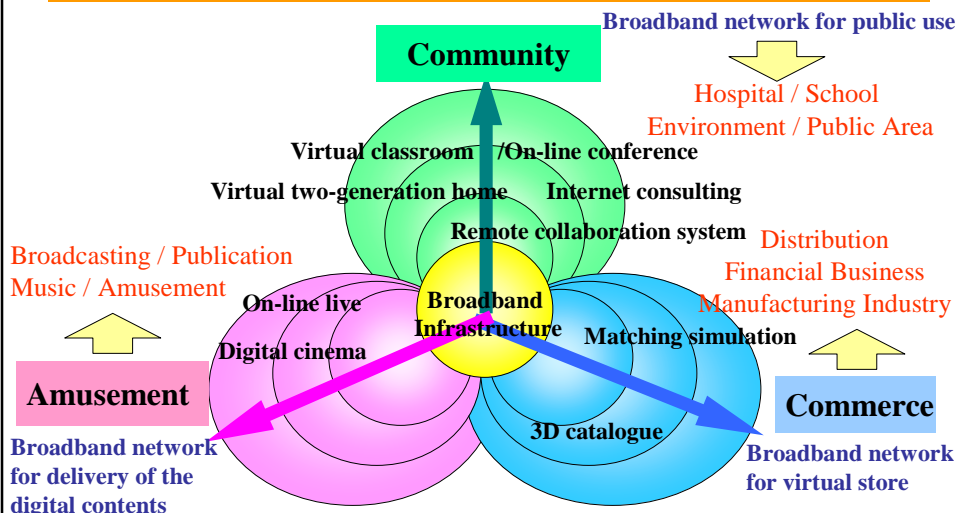
Part III

Providing System-level Solutions to the Emerging Markets

System Solution Division General Manager
Kanamori Masanori

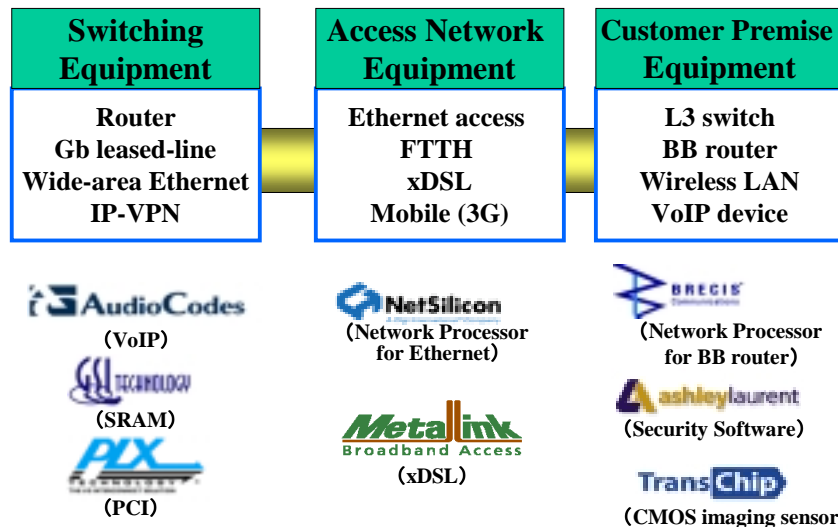
Extension of the broadband network market

With the expansion of broadband network and reduction in cost, further growth of the broadband network market is expected



System-level Solution by PALTEK

To support broadband network market



FY2003 First Quarter Results

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Solutions for the emerging markets

- ◆ AudioCodes products show strong sales due to active IP phone service deployment by enterprise sector. We will strengthen the promotion of equipment in addition to devices and boards



- ◆ BRECIS' multi-Service Processors were used into broadband router by YAMAHA, OMRON, corega, PLANEX COMMUNICATIONS Inc. (announced on March 11th press release)



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Business Target

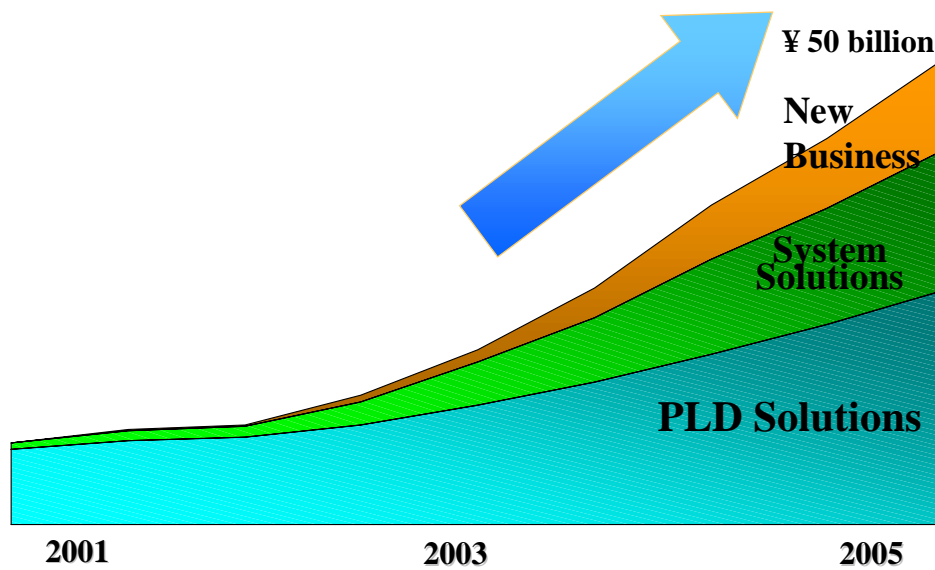


“To become a leading player in Networking, by positioning ourselves as a visionary company in an emerging market and by leveraging our cutting-edge solutions”

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Future Growth



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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.

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IR Contact



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Part IV

Attachments



Agenda

- **Semiconductor Markets Trends**
 - **Worldwide / Americas / Japan**
- **Subsidiaries Companies**

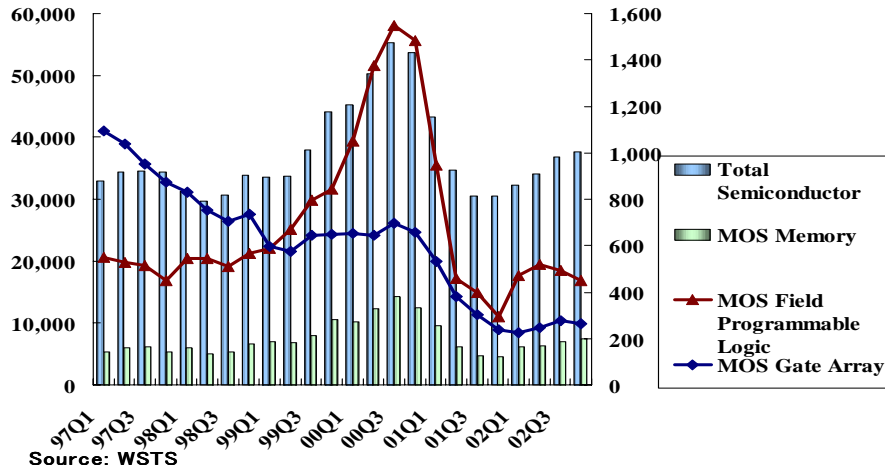
Worldwide Semiconductors



Total Semiconductor,
MOS Memory

FPL, G/A

Unit: \$ Millions



Source: WSTS

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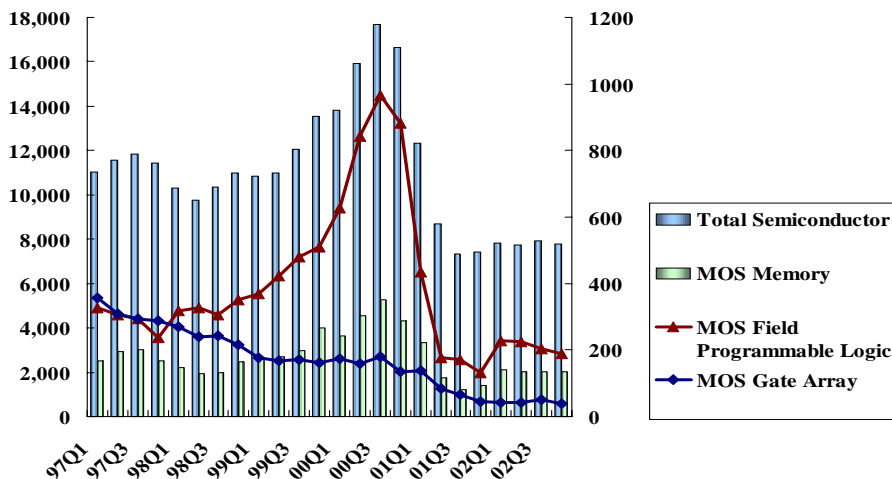
Americas Semiconductors



Total Semiconductor,
MOS Memory

FPL, G/A

Unit: \$ Millions

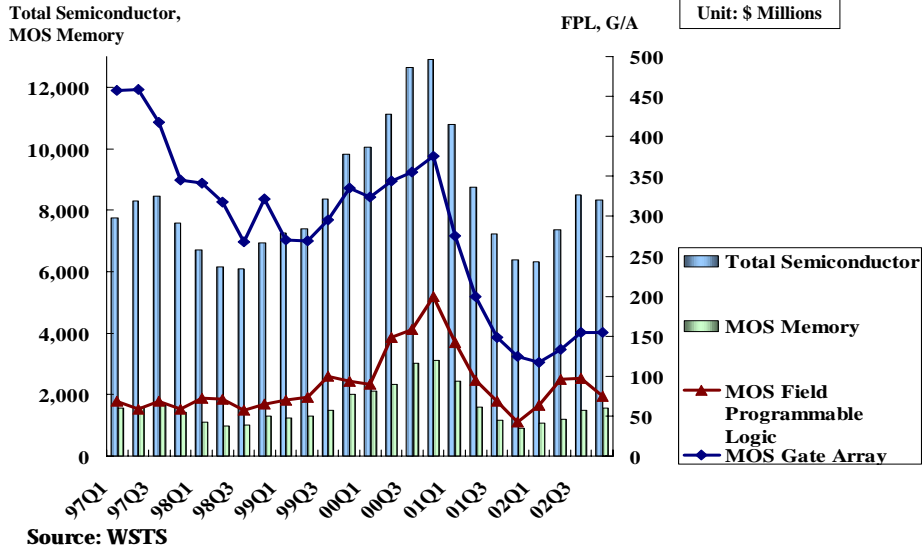


Source: WSTS

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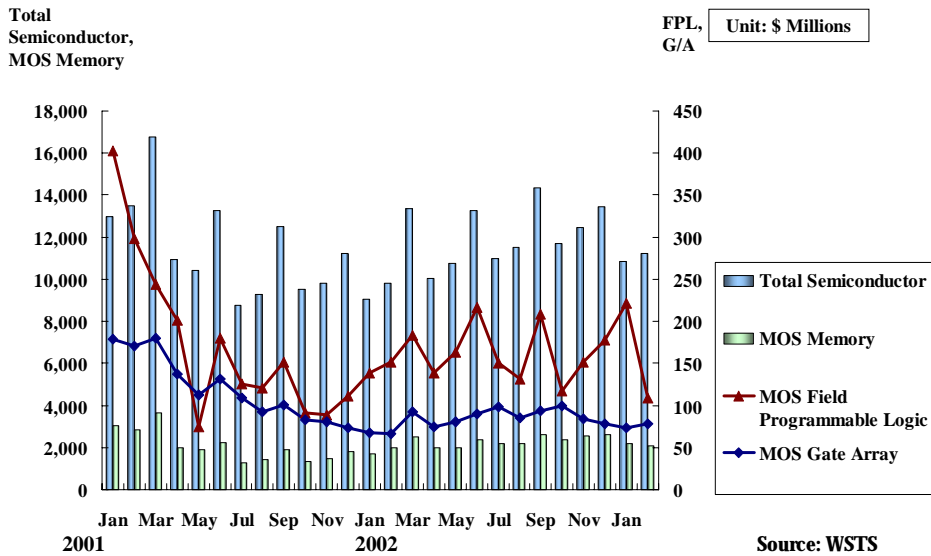
Japan Semiconductors



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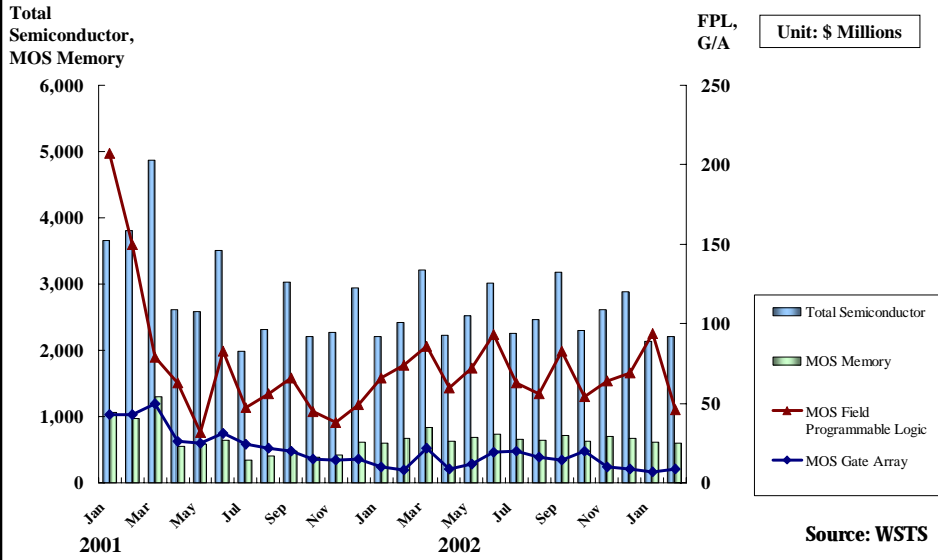
Worldwide Semiconductors



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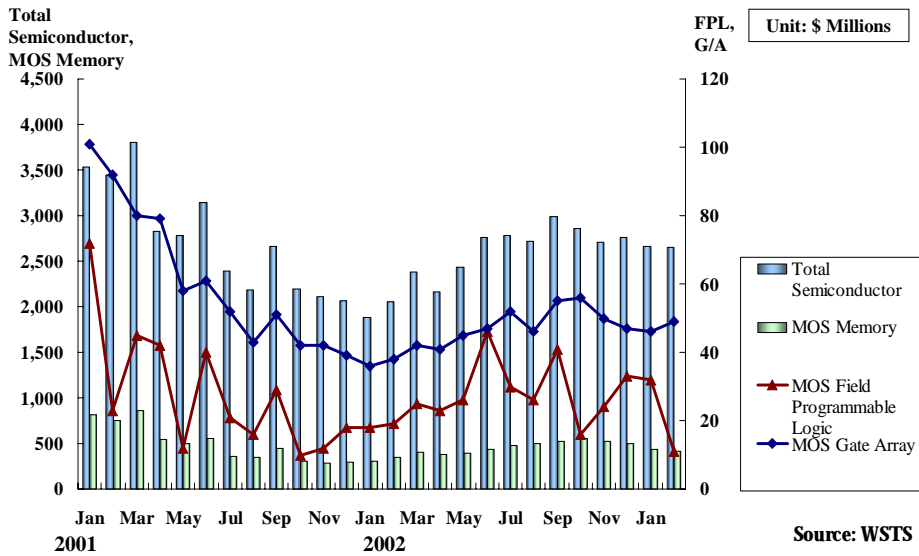
Americas Semiconductors



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Japan Semiconductors



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Alpha Electronics, Inc.



Name: Alpha Electronics, Inc.



Established: September 1974

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

Headquarters: 1-14-33 Esaka, Suita-shi, Osaka

Capital: 97.2 Million Yen (As of December 31)

Capital Ratio: 88.8%

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, Altera, Sophia Systems,
Alpha Electronics Corp.

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Spinnaker Systems, Inc.



Name: Spinnaker Systems, Inc.



Established: October 1, 1995

<http://www.spinnaker.co.jp/>

Headquarters: Hatchobori SF bldg. 5F 3-12-8 Hatchobori,
Chuo-ku Tokyo 104-0033 Japan

Capital: 245.5 Million Yen (As of December 31)

Capital Ratio: 100%

Acquisition: June 2000

President: Isao Tanabe

Business:

- EDA Software
- IP (Intellectual Property) Design
- Technology Consultant
- SoC Design Support

Business Partners: Mentor Graphics, Plato Design Systems, Inc. etc

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