

PALTEK

(JQ:7587)

Fiscal Year 2003

Third Quarter

2003.10.15 (Wed)

Agenda

Fiscal Year 2003 Third Quarter Results

(FY2003 July 1 - September 30)

Progress of the new business

Part I

Fiscal Year 2003 Third Quarter Results

(FY2003 July 1 - September 30)

General Overview of the Third Quarter of FY2003

Sales increase y/y 5.3%

Sales increased as expected.

The adoption of PLDs and analog products is increasing, but getting clear customer schedule and volume forecasts is still difficult in current market.

Products for the digital terrestrial broadcast-related equipment completed the first stage roll-out in the three major cities (Tokyo, Osaka, and Nagoya). Sales to local stations will start after next year.

Operating income ratio improved continuously to 8.0%. (7.0% in the first half of the FY2003)

Gross margin ratio improved as expected. SG&A decreased slightly more than expected.

Fiscal Year 2003 Third Quarter Results

(Consolidated)

	FY2003 Q3 Results (Jul. to Sep.)	FY2003 Q3 Results (Jan. to Sep.)	FY2002 Results
Sales	¥ 4,283 M	¥ 13,101 M	¥ 15,614 M
Operating Income	¥ 341 M	¥ 955 M	¥ 660 M
Operating Income Ratio	8.0%	7.3%	4.3%
Ordinary Income	¥ 347 M	¥ 973 M	¥ 762 M
Ordinary Income Ratio	8.1%	7.4%	4.9%

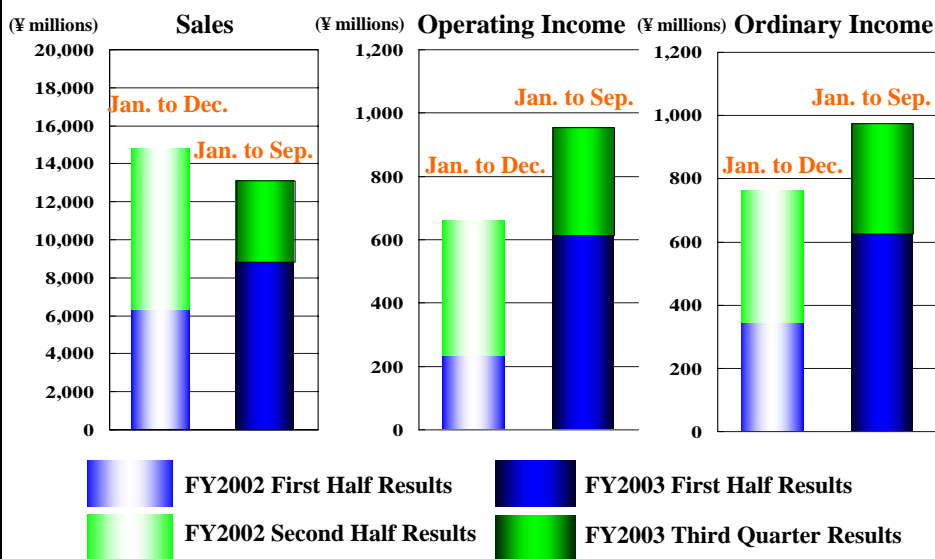
FY2003 Third Quarter Results

Please note that the Quarter Results are unaudited financial statements.

5

Summary of the Third Quarter in FY2003

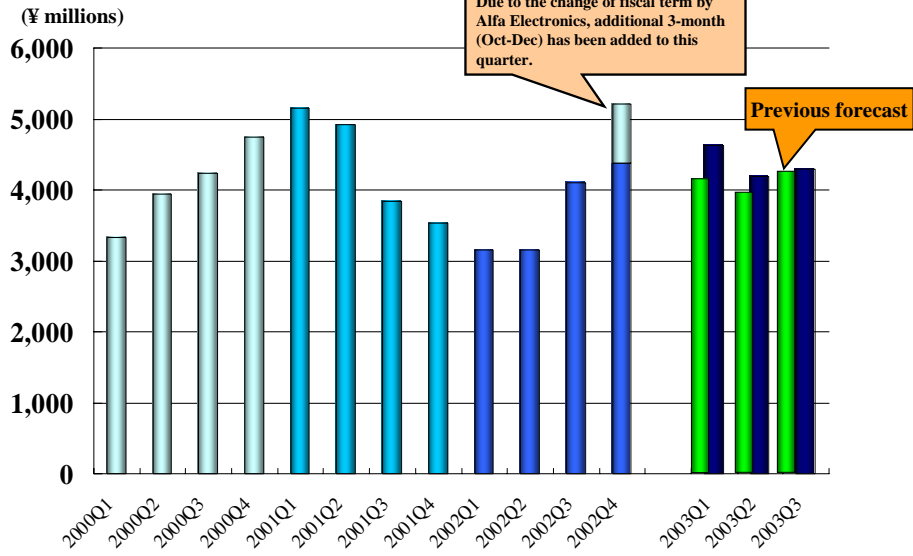
(Consolidated)



FY2003 Third Quarter Results

6

Sales by Quarter (Consolidated)

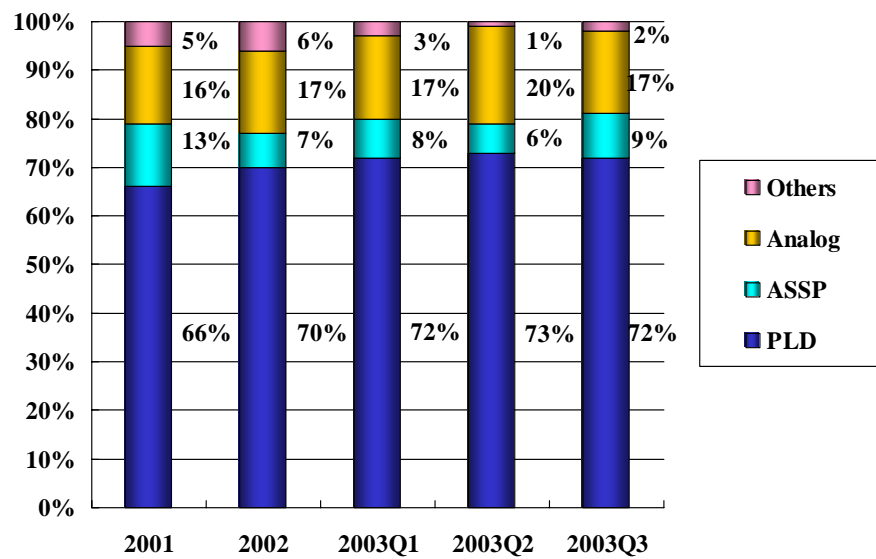


FY2003 Third Quarter Results

Please note that the Quarter results are unaudited financial statements.

7

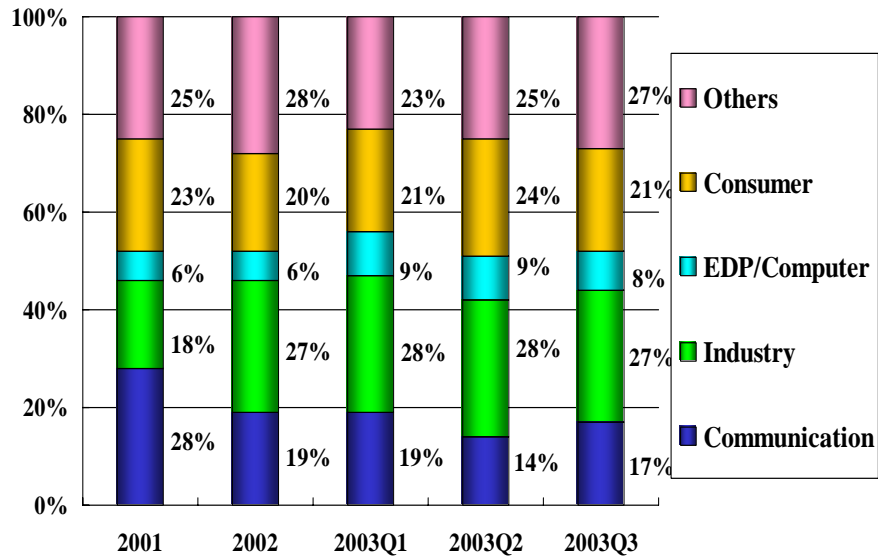
Sales by Products (Consolidated)



FY2003 Third Quarter Results

8

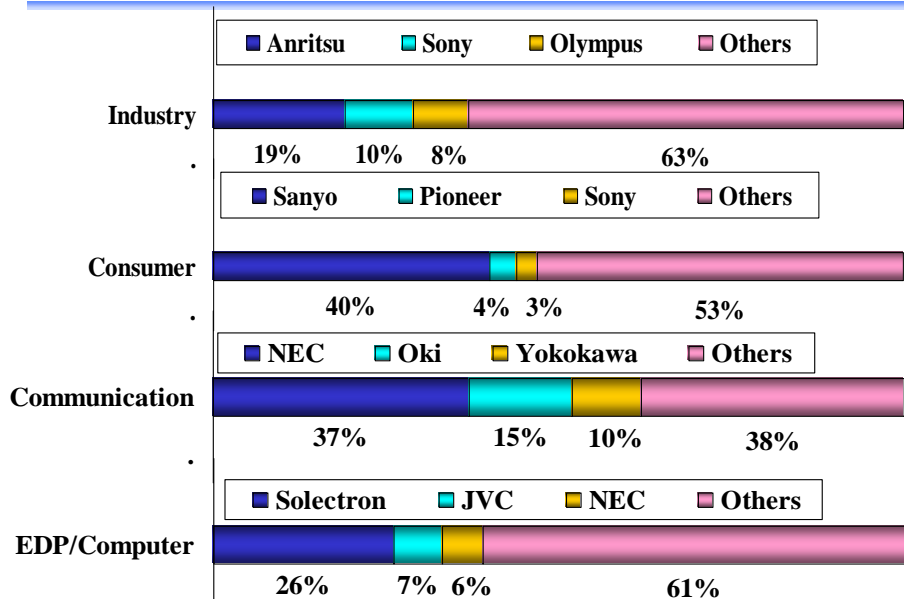
Sales by Applications (Consolidated)



FY2003 Third Quarter Results

9

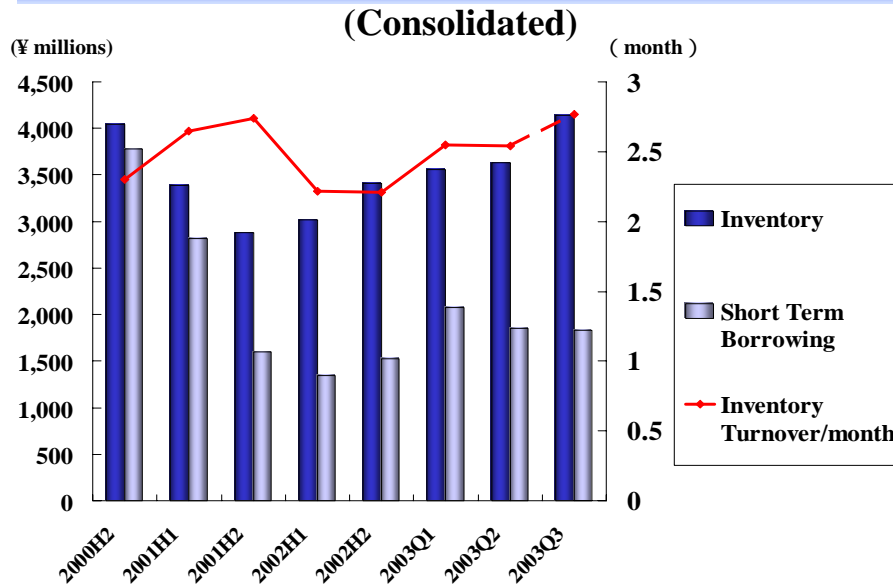
Sales by Applications (Consolidated)



FY2003 Third Quarter Results

10

Inventory & Short Term Borrowing



FY2003 Third Quarter Results

11

Achievements of FY2003 Third Quarter

1. Strengthen Fundamental PLD Business

The adoption of strategic products such as Cyclone and Stratix is increasing. But production schedule and production volumes are still unclear.

2. Provided Solutions to Emerging Markets

Sales of solutions for VoIP (AudioCodes) and broadband routers (Brecis communications) show strong demand.

3. Establish New Business Models with Venture Companies

PALTEK entered into a distribution agreement with the power supply manufacturer, Bellnix Co.,Ltd., as a strategic partner. PALTEK sells PLDs and ASSPs combined with Bellnix products. (Details follow)

FY2003 Third Quarter Results

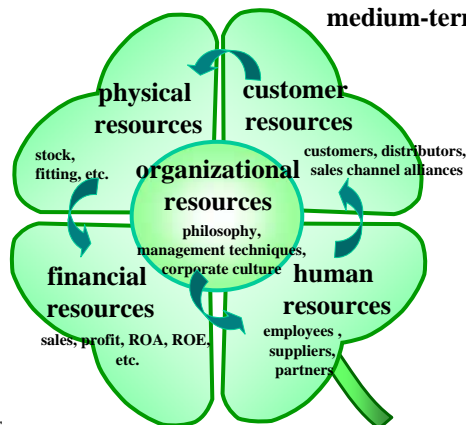
12

Part Progress of the new business

Medium-term goal of PALTEK

PALTEK group's medium-term goal: 50 billion yen sales and 10% operating profit ratio

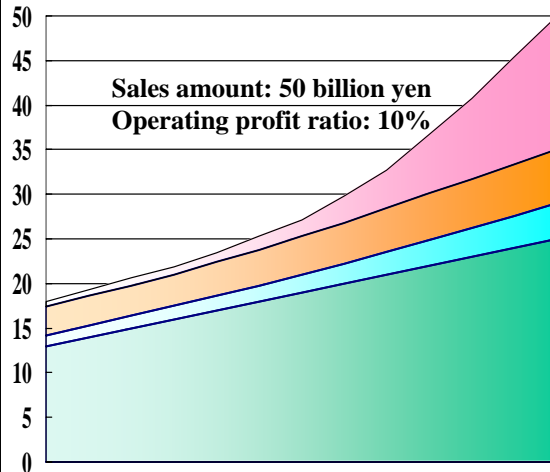
medium-term: 3-5 years



Medium-Term Vision : Structural ratio of sales amount of each product line



(billion Yen)



New Business

Target sales: 15 billion yen

Analog Product Business

Target sales: 6 billion yen

System Solutions Business

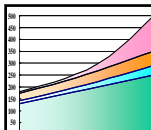
Target sales: 4 billion yen

PLD Product Business

Target sales: 25 billion yen

FY2003 Third Quarter Results

15



Current status of the new businesses



Policy of the new business : Creation of the new value added businesses

New business focusing on PLDs

PALTEK entered into a distribution agreement with power supply manufacturer, Bellnix Co.,Ltd.

Business Coordination

PALTEK is involved in the business cooperation with the Trinity Security Systems Inc.

Start-up of new business with Reconfigurable devices concept

Spinnaker Systems, Inc. invests to IP Flex Inc.

FY2003 Third Quarter Results

16

PLD related business



New business focusing on PLDs

PLDs are continuing to increase their functionality and performance. As a result they are becoming increasingly main-stream products. Increased market penetration opens new collateral product sales opportunities,



Solutions that are offered with PLDs and ASSP peripheral products

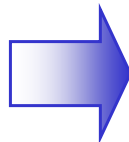
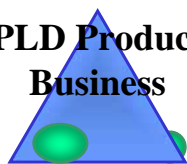
Peripheral Solutions



We are developing a variety of peripheral solutions complement and upgrade the functions of PLDs and ASSPs. PALTEK creates these solutions utilizing its organizational and customer resources.




PLD Product Business



PLD Product Business

Peripheral Solutions



(Ex.) Business related to power supply 

Bellnix

PLDs and ASSPs have become dramatically denser, faster, and smaller.


➔

A high precision and highly reliable power supply is indispensable to maximize the performance of such cutting-edge PLDs.

PALTEK concluded a strategic business partner contract with Bellnix Co.,Ltd., a Japanese power supply manufacturer

- PALTEK provides comprehensive solutions including power supplies to customers by offering PLDs and ASSPs combined with Bellnix products,
- PALTEK launches these total solution sales by leveraging past market development, and using its original PLD/ASSp marketing system.

FY2003 Third Quarter Results 19

The reasons to provide the power supply units and to cooperate with Bellnix Co.,Ltd. 

[Why the market needs specialized power supply units]

Drastic Changes in IC technology

The applied voltage of digital ICs is going on down year by year; **2.5V, 1.8V, 1.5V, 1.2V...1V**

Each IC, such as a DSP or an FPGA, has different needs for power supply. Modern ICs often have different voltage requirements for power to I/O (inputs and outputs) and core (internal) circuits.

This creates needs for low-voltage, high-current, multi-voltage, and distributed power supply systems.

[The reasons for selecting Bellnix Co.,Ltd.]

- Their products cover multiple areas.
- Their products dominate the market of non-insulated type power supply modules.
- Their BSI series are widely known as reliable, and defect-free.
- Bellnix products offer the fastest response-time in the industry.

FY2003 Third Quarter Results 20

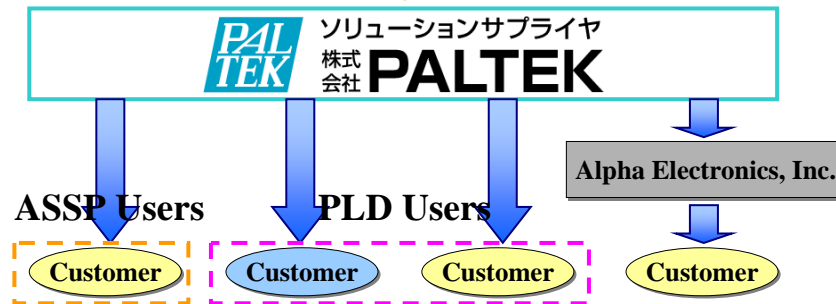
Power supply business



Bellnix contributes to our extension into the power supply market :
Providing power supplies to PLD and ASSP users in Japan.

Bellnix®

Distribution Agreement



FY2003 Third Quarter Results

21

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”

FY2003 Third Quarter Results

22

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.

IR Contact



For Inquiries, please contact:

Naoko Hirai **Investor Relations**

Yoshinori Shibasaki **Investor Relations**

PALTEK Corporation

2-3-12 Shin-Yokohama, Kouhoku-ku,
Yokohama 222-0033 Japan

TEL: +81-45-477-2016

FAX: +81-45-477-2012

E-mail: IR@paltek.co.jp

Part Attachments



Agenda

- **Semiconductor Markets Trends**
 - **Worldwide / Americas / Japan**
- **Sales by Companies**
- **Subsidiaries Companies**
- **New Suppliers**

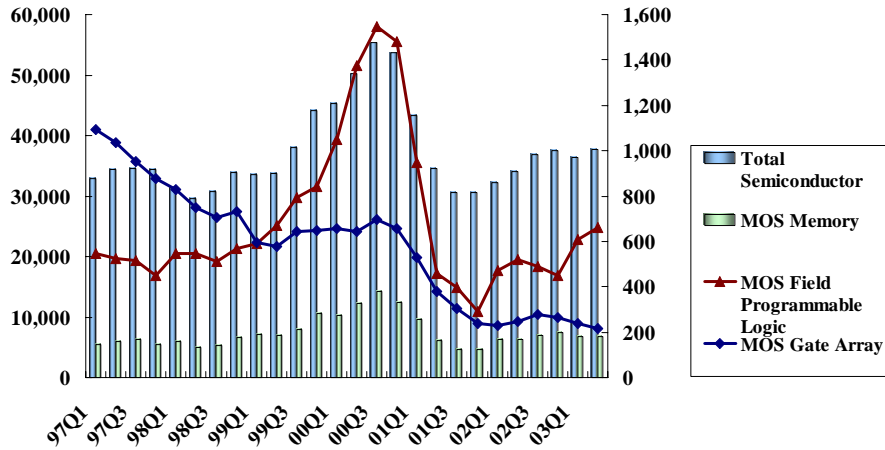
Worldwide Semiconductors



Total Semiconductor,
MOS Memory

FPL, G/A

Unit: Dollars in Millions



Source: WSTS

FY2003 Third Quarter Results

27

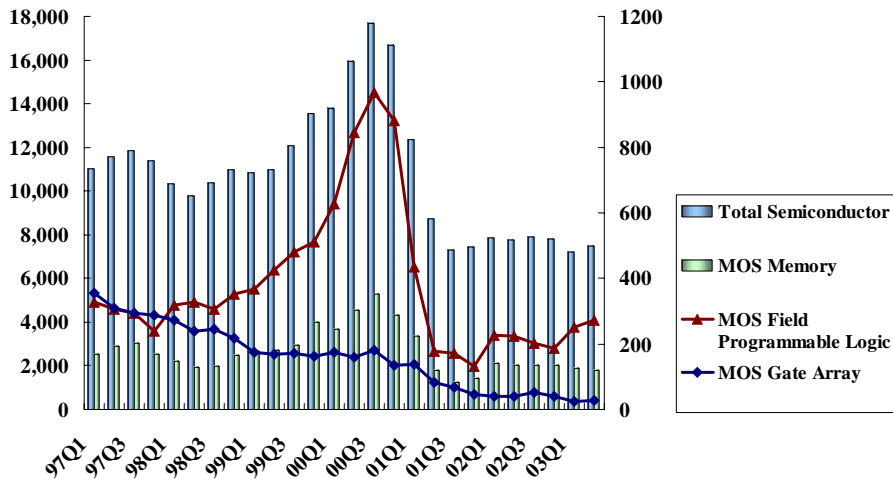
Americas Semiconductors



Total Semiconductor,
MOS Memory

FPL, G/A

Unit: Dollars in Millions

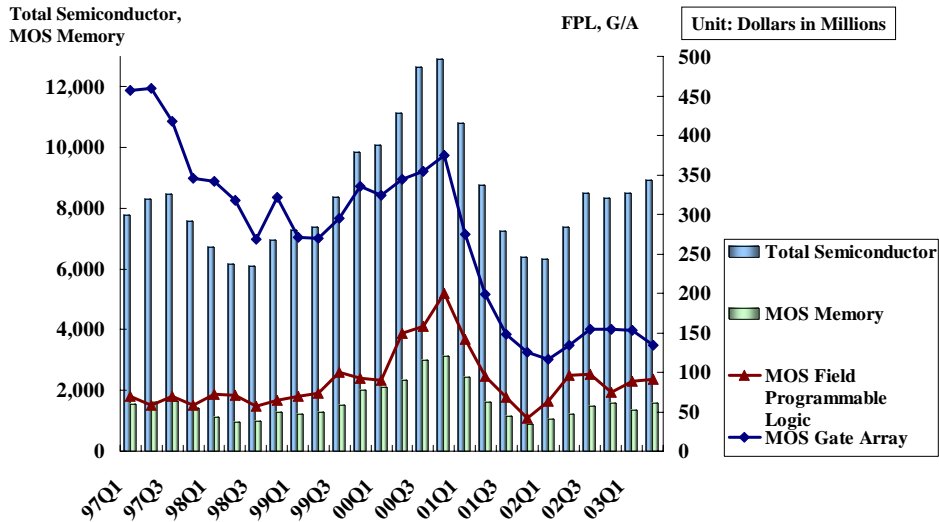


Source: WSTS

FY2003 Third Quarter Results

28

Japan Semiconductors

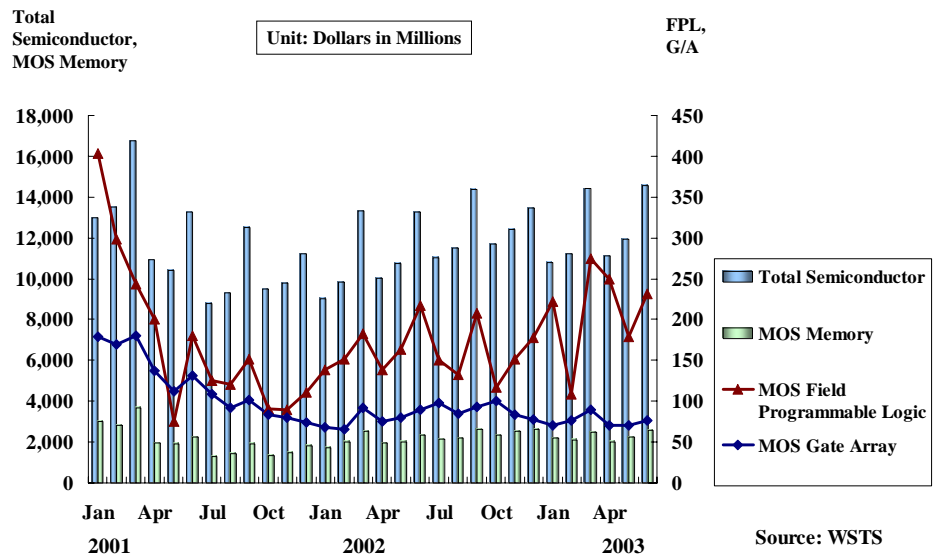


Source: WSTS

FY2003 Third Quarter Results

29

Worldwide Semiconductors

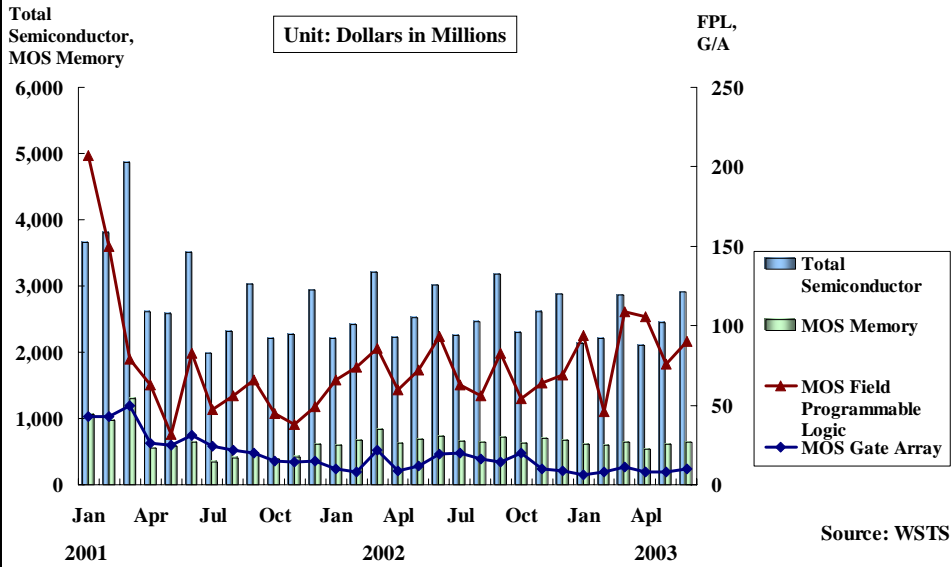


Source: WSTS

FY2003 Third Quarter Results

30

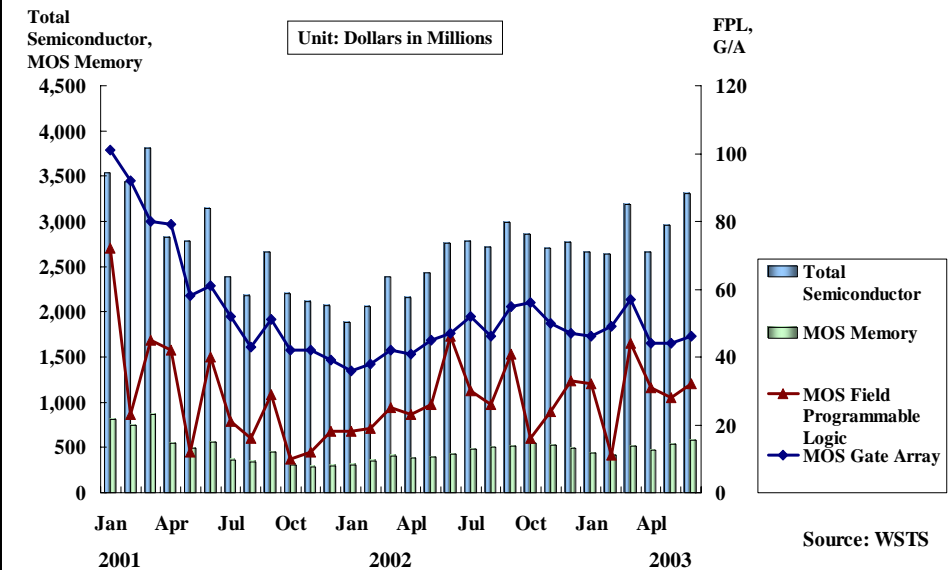
Americas Semiconductors



FY2003 Third Quarter Results

31

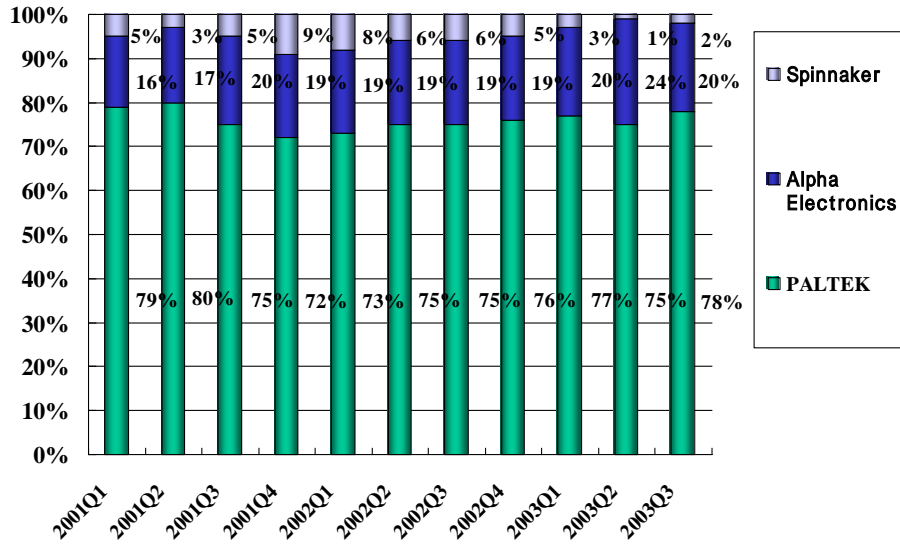
Japan Semiconductors



FY2003 Third Quarter Results

32

Sales by Companies



FY2003 Third Quarter Results

33

Subsidiaries Companies



FY2003 Third Quarter Results

34

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 September 30)

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.

FY2003 Third Quarter Results

35

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 September 30)

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

FY2003 Third Quarter Results

36

New Supplier

Bellnix®

Bellnix Co.,Ltd.

Name: Bellnix Co.,Ltd.
Headquarters: 5-7-8 Negishi Saitama-shi Saitama Japan 336-0024
Established: June 8, 1978
Capital: Paid-in capital 20,000,000yen Authorized capital 58,000,000yen
Employees: Bellnix 72, Subcontract factory 88
President: Shotaro Suzuki

Original Products:

- High voltage distributor power supply system that was indispensable in discovering the ultimate baryonic elementary particle, the top-quark
- Commercialization of world's first high- and medium-voltage(2000V) DC-DC converter using hybrid ICs for the high voltage power supply
- High voltage power supply for airborne cockpit CRT
- High voltage power supply for dynamic scan-CRT that enables high speed depiction in image processing
- 1/8, 1/2, 1/4BrickDC-DC converter that sets the standard for the power supplies of next-generation telecommunication equipment.
- Ultra high-speed response POL DC-DC converter that aspires to become global standard for POL