



PALTEK

(JQ:7587)

Fiscal Year 2004
Quarter One

2004.4.15 (Thu)

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.

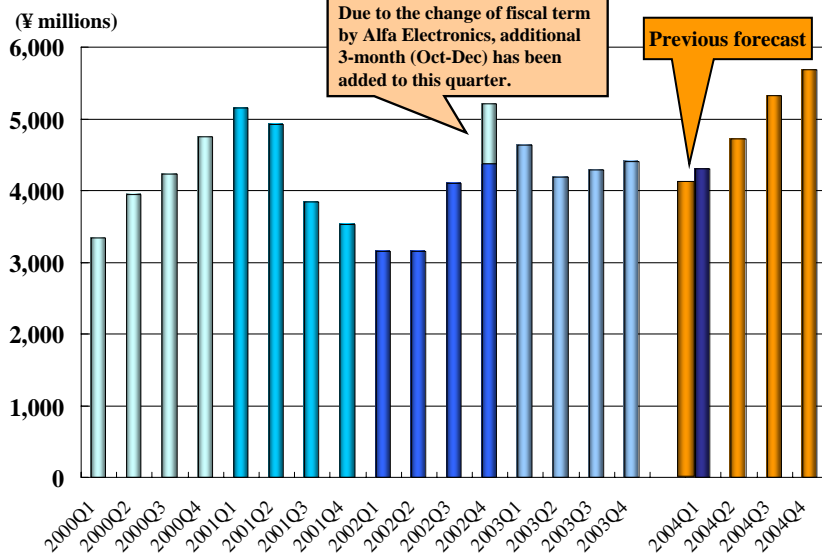
Fiscal Year 2004 First Quarter Results

(FY2004 January 1,- March 31,)

FY2004 First Quarter Results

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Sales by Quarter (Consolidated)



FY2004 First Quarter Results

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Summary of the First Quarter in FY2004

Sales met the initial expectations

Solutions for FA (Factory Automation), measuring equipments, and medical equipments showed favorable sales.

Solutions for digital consumer products showed solid sales.

Sales are down 6.9% from the same term last year due to the decline of the special procurement of solutions for the terrestrial digital broadcasting.

Operating profit was 6.5%

Gross margin rate declined 35% on a year-over-year basis based on the change of product mix. But it met the initial expectations.

Gross margin rate is the same level as reported last year.

Financial standing

Account receivable turnover improved to 2.6 months and cash and cash equivalents increased 1 billion yen due to activities of the project to decrease account receivable.

Inventory increased to 4.5 billion yen, so accounts payable increased.

Inventory turnover was 2.8 months.

FY2004 First Quarter Results

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Fiscal Year 2004 First Quarter Results

(Consolidated)

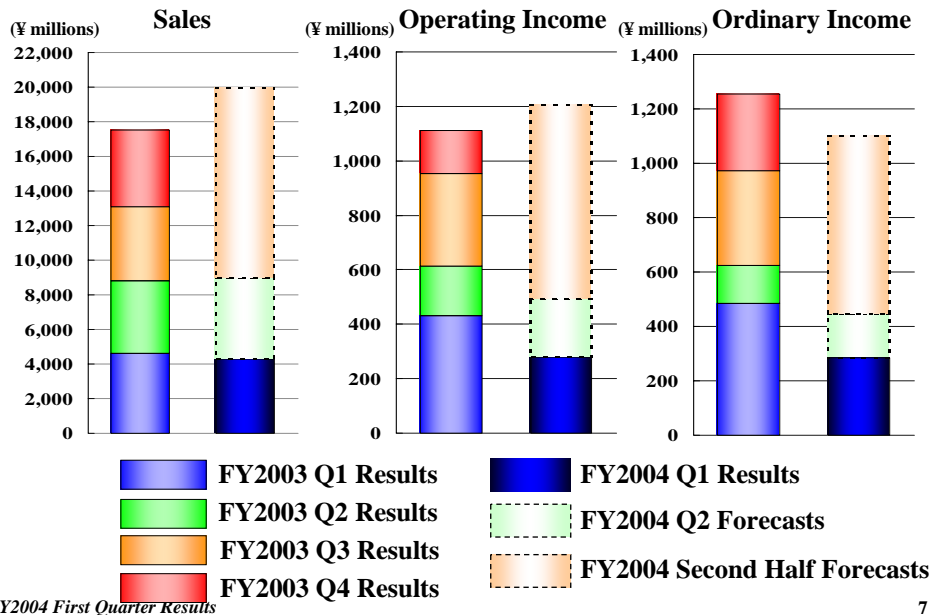
	FY2004 Q1 Results	FY2003 Q1 Results	Increase/Decrease Percentage
Sales	4,307	4,626	6.9%
Operating Income	280	431	35.0%
Operating Income Ratio	6.5%	9.3 %	
Ordinary Income	284	484	41.3%
Ordinary Income Ratio	6.6%	10.5%	

Please note that the Quarter results are unaudited financial statements.

FY2004 First Quarter Results

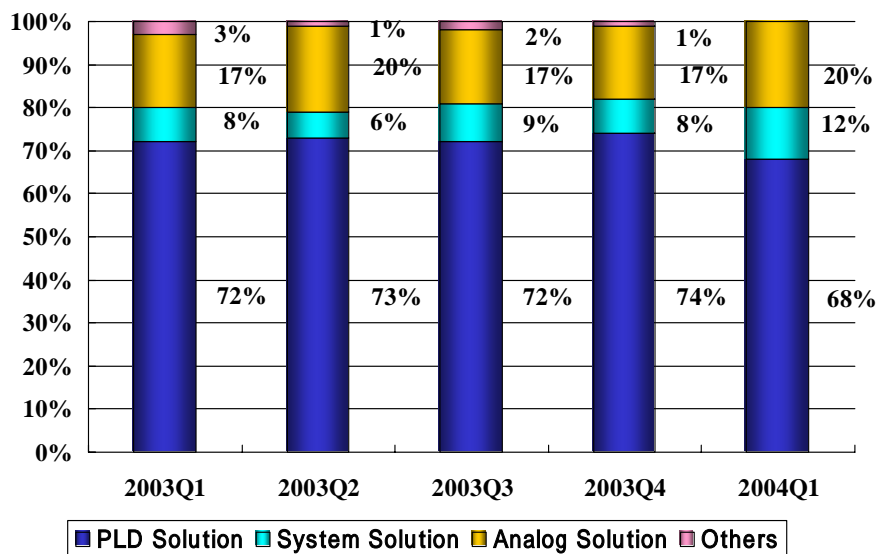
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Summary of the First Quarter in FY2004



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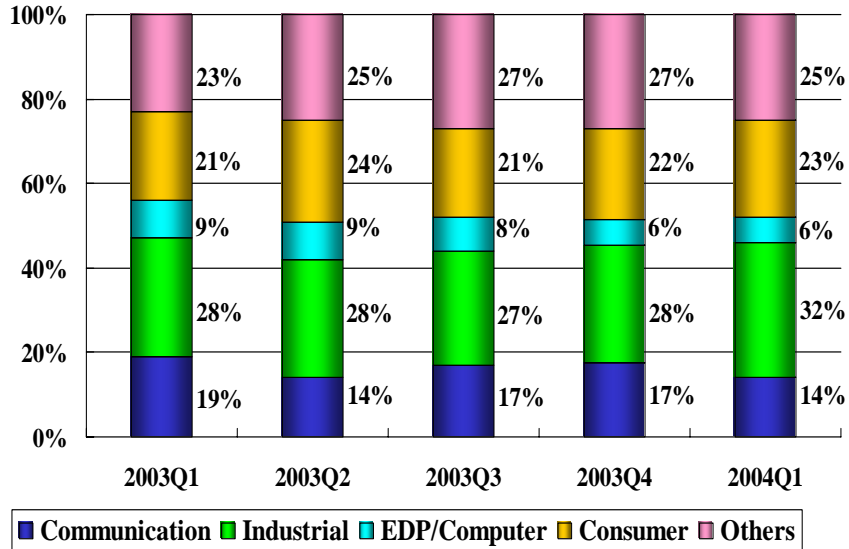
Sales by Products (Consolidated)



FY2004 First Quarter Results

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Sales by Applications (Consolidated)



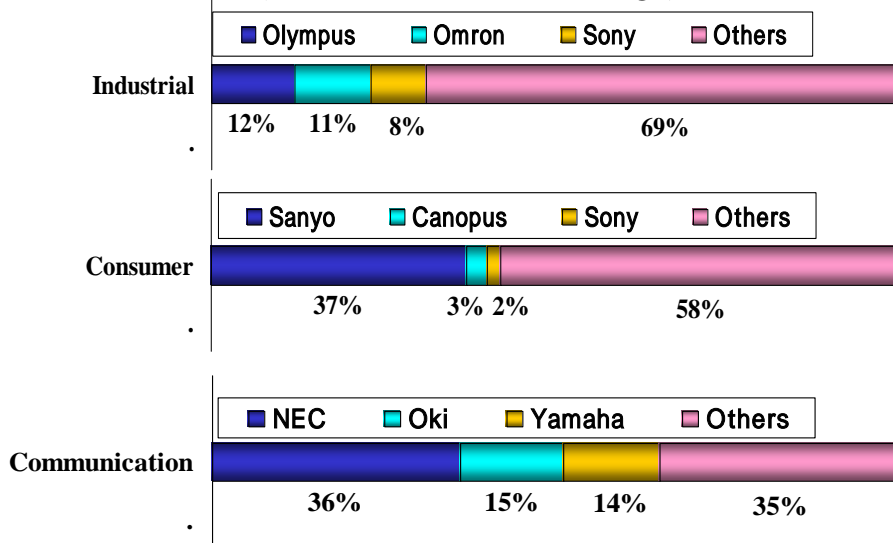
FY2004 First Quarter Results

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Sales by Applications



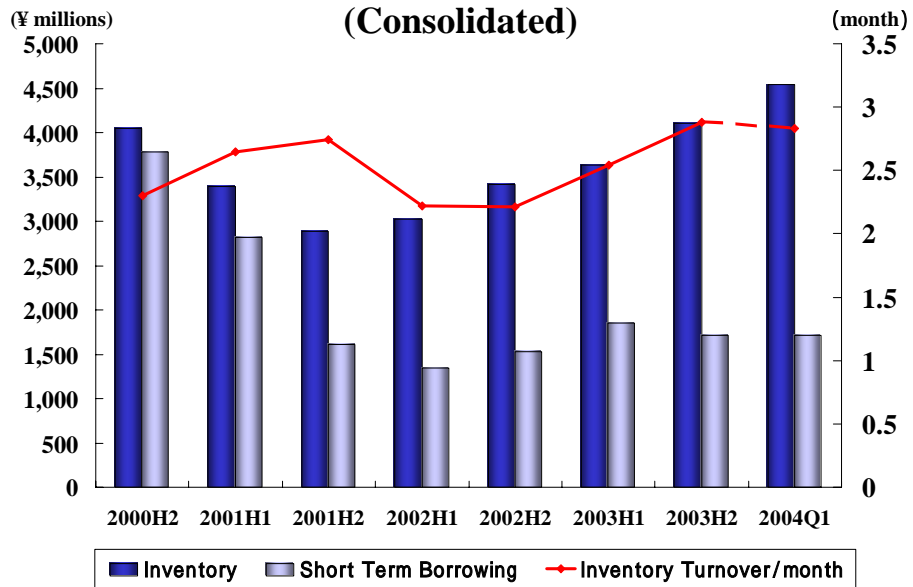
(Consolidated : FY2004Q1)



FY2004 First Quarter Results

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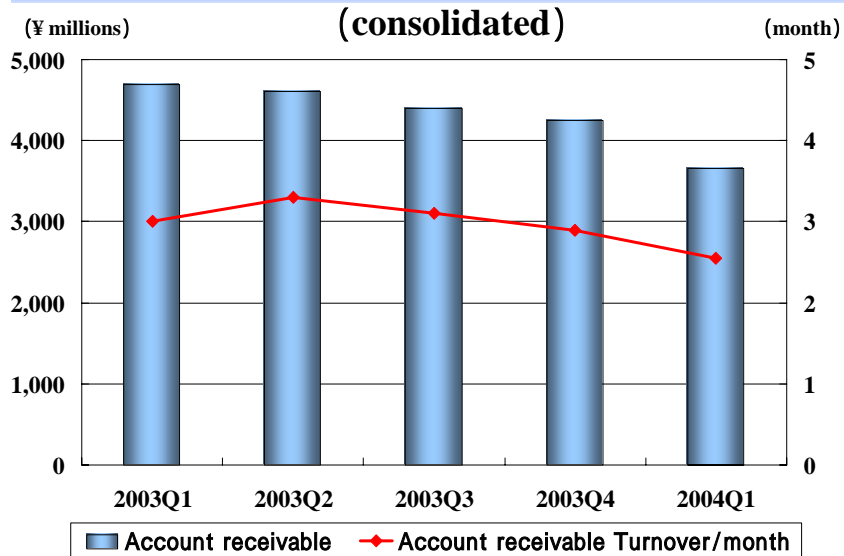
Change of the inventory and debt payable



FY2004 First Quarter Results

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Change of the account receivable



FY2004 First Quarter Results

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General overview of the first quarter in FY2004 (1)

PLD solutions: trend in the first quarter

Sales amount of PLD solutions was 2.92 billion yen as expected.

PLD solutions for FA(Factory Automation) including semiconductor equipments, measuring equipments, and medical equipments showed favorable sales.

PLD solutions: Forecast

PLD solutions start to be adopted into digital consumer products such as DVD and TV.

Demand for Communication related products will be increased.

General overview of the first quarter in FY2004 (2)

Analog solutions: trend in the first quarter

Sales amount of analog solutions was 870 million yen as expected.

Analog solutions for Industrial products such as FA and semiconductor equipments showed favorable sales. It also enjoyed special procurement related to the issuance of the new notes.

Analog solutions for digital consumer products showed solid sales.

Branch office in Kanto region of Alpha Electronics, Inc. has started their business in good condition.

Analog solutions: Forecast

Adoption of analog solutions to industrial products including FA will go on.

Demand for handheld devices will contribute to the sales of analog solutions.

Kanto office of Alpha Electronics, Inc. will back up sales amount.

General overview of the first quarter in FY2004 (3)

System solutions: trend in the first quarter

Sales amount of system solutions was 510 million yen as expected.

Solutions for VoIP related products (AudioCodes) and BB routers (Brecis Communications) showed favorable sales.

IP Flex began the shipment of sample chips.

New sales representative agreements were made.

NeoMagic Corporation(USA): Multi Media Processor for multimedia-rich mobile phones

LTRIM Technologies(Canada): CMOS analog IP

Astro Semiconductor(USA): analog and mixed-signal IP

System Solutions: Forecast

System solutions for VoIP related products will continue to show favorable sales.

PALTEK will enforce design-in and design-win activities.

PALTEK will enforce promotion activities of new solutions.

FY2004 First Quarter Results

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General overview of the first quarter in FY2004 (4)

Other Business Activities: trend in the first quarter

PALTEK has been working on decrease of the account receivable since last year and improved speed of accounts receivable turnover to 2.6 months.

In preparation for the future increase of the sales amount, PALTEK increased inventory to 4.5 billion yen. Inventory turnover was 2.8 months.

Other Business Activities: Forecast

PALTEK will carry on the project to decrease account receivable.

PALTEK will try to deliver an appropriate inventory level.

FY2004 First Quarter Results

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The forecast of FY2004

Summary of the forecast of FY2004



Sales will increase as expected due to the active capital investment.

PLD and analog solutions for the industrial products will show favorable sales.

The adoption of PLD solution to the digital consumer products will improve.

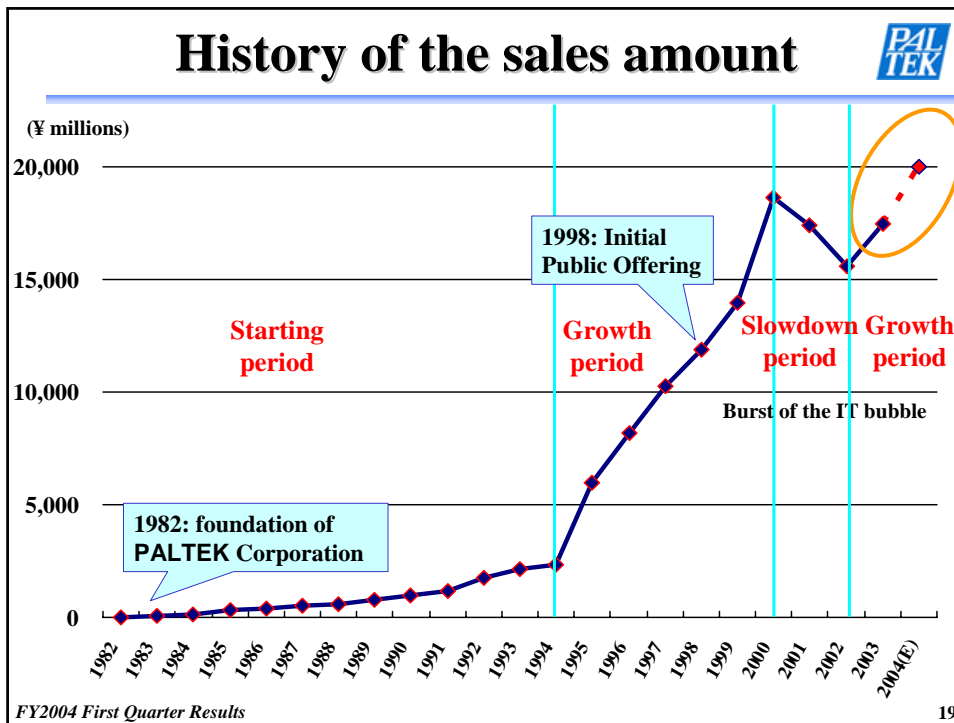
Operation profit rate will temporarily decrease.

Gross margin rate will drop due to the sales increase of solutions for the digital consumer products.








Improvement of the balance sheet

PALTEK will tackle the improvement of cash flow by shortening of the duration of accounts receivable turnover.

PALTEK will try to deliver an appropriate inventory level.



History of the Business

		~ 2001	2002 ~ 2004	2005 ~
Telecommunication equipment				
Industrial products				
Digital consumer products		×		
Example of the products that are equipped with PALTEK solutions		 	 	  
Feature	Number of sales unit	few	moderate	many
	Gross margin rate	high	middle	low
	Operating profit rate	high	middle (transitional period)	high (due to the increase of the sales amount)
	Other features	Profitability of the solutions for the telecommunication equipment is high.	PALTEK expand the target market to the digital consumer products market in 2004. Turning point of the profit structure.	Due to the profit structure change, the value-added business was expanded to the high-efficiency business
Products		PLD, ASSP	PLD, Analog	PLD, Analog, ASSP

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

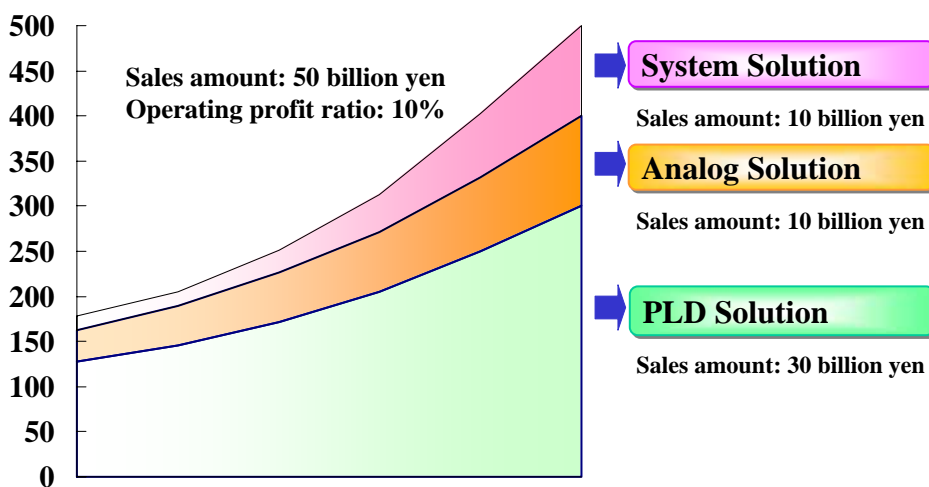
FY2004 First Quarter Results

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



(billion Yen)



FY2004 First Quarter Results

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Attachments

Agenda

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

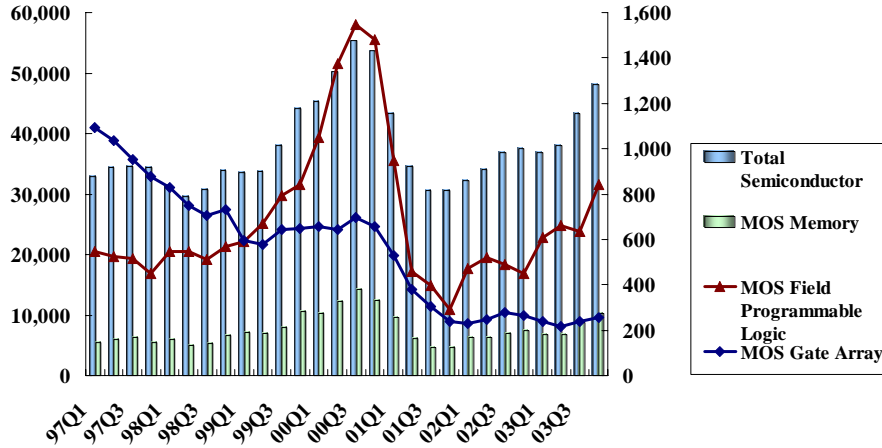
Worldwide Semiconductors



Total Semiconductor,
MOS Memory

FPL, G/A

Unit: Dollars in Millions



Source: WSTS

FY2004 First Quarter Results

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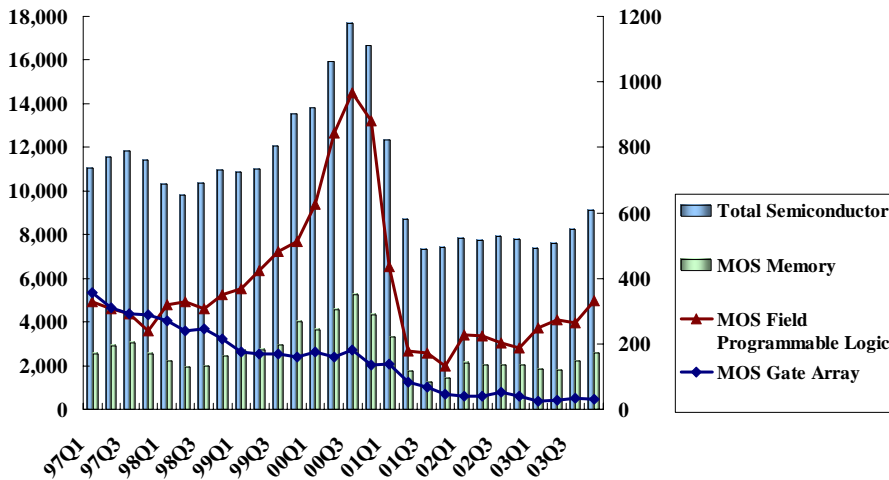
Americas Semiconductors



Total Semiconductor,
MOS Memory

FPL, G/A

Unit: Dollars in Millions

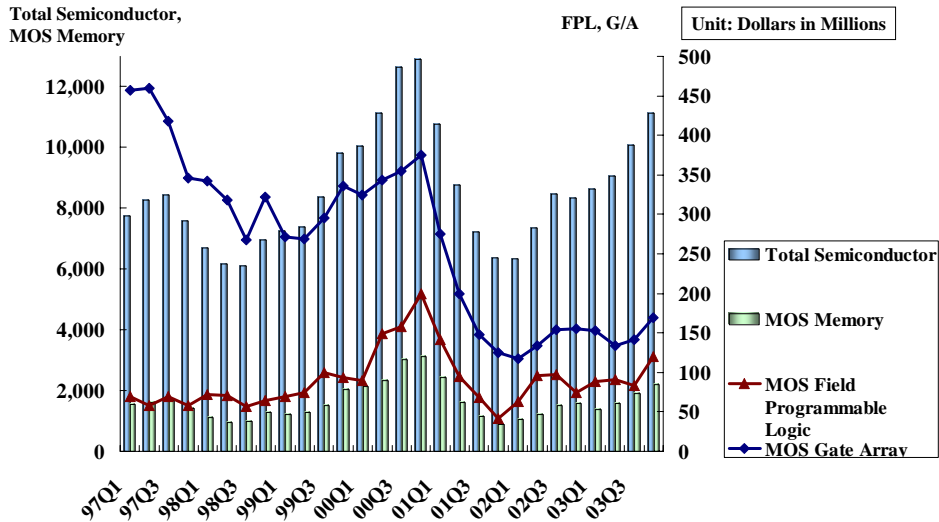


Source: WSTS

FY2004 First Quarter Results

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Japan Semiconductors

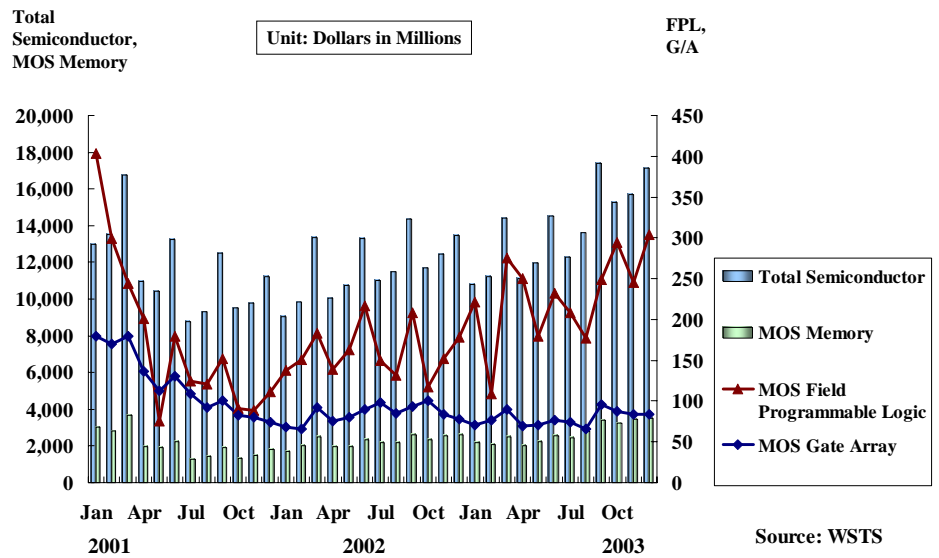


Source: WSTS

FY2004 First Quarter Results

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Worldwide Semiconductors

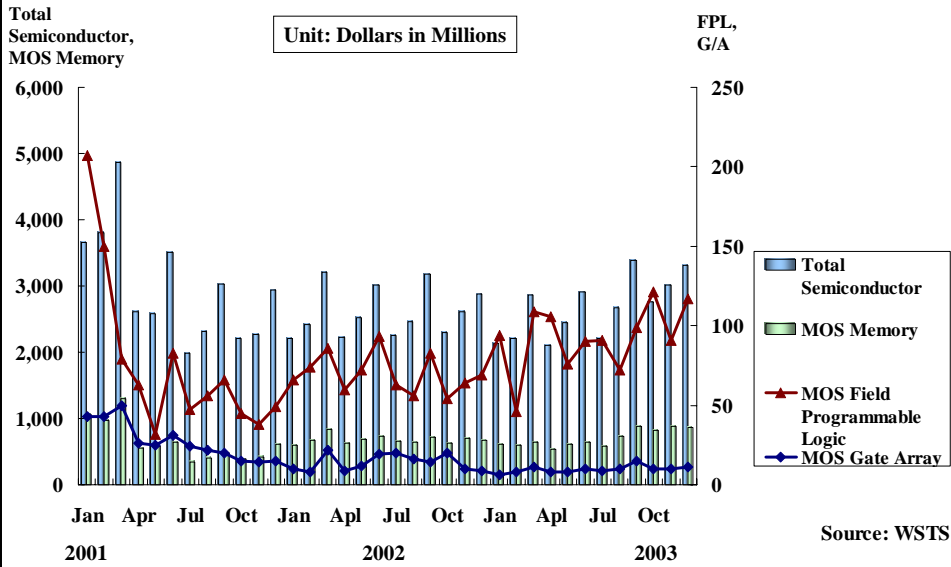


Source: WSTS

FY2004 First Quarter Results

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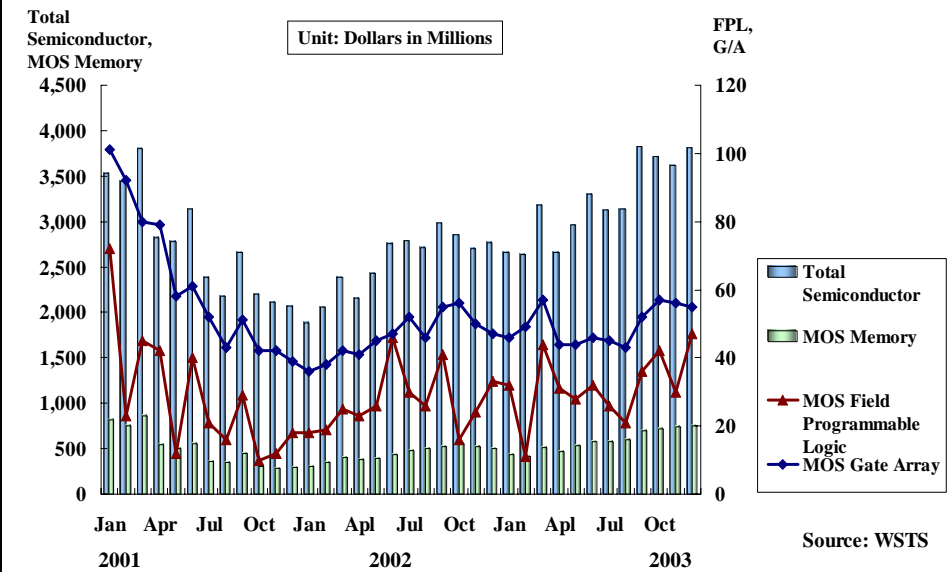
Americas Semiconductors



FY2004 First Quarter Results

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Japan Semiconductors



FY2004 First Quarter Results

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Subsidiaries Companies

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 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.

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

Spinnaker Systems, Inc.



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

Name: Spinnaker Systems, Inc.
Established: October 1, 1995
Headquarters: Shin-Yokohama Square BLDG.
2-3-12 Shin-Yokohama Kouhoku-ku
Yokohama 222-0033 Japan
Capital: 245.5 Million Yen (As of December 31)
Capital Ratio: 100%
President: Kazuo Fukushima
Business:

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

Business Partners: Real Intent, Inc., EverCAD Corporation, SynTest Technologies, Inc., Veritools, Inc., Amphion Semiconductor Ltd., Cast, Inc., IPFlex, Inc. etc.

Definitions of Applications



Category	Products
Communication	Applications for communication infrastructure and Broadband Switching, Terminal, Gateway, Routing/IP, Wireless Access
Industrial	Applications for digital broadcasting equipments, medical equipments and measurement equipments
Consumer	Applications for mobile phones, DSCs, audios and game consoles
EDP/Computer	Applications for computer peripheral devices, storage and imaging devices