



PALTEK

(OTC:7587)

Results Explanatory Meeting


Fiscal Year 2003

Contents



- **Fiscal Year 2003 Results**


- **Fiscal Year 2004 Projections**




















Part

Fiscal Year 2003 Results

FY2003 Results Reporting
3



Business Environment of PALTEK (Summary)

Category	Business Climate	Comments
General Business Trend		<div style="display: flex; align-items: center; gap: 10px;"> Initial state  Actual state  </div> <p>The Japanese economy has shown a sign of recovery in latter half of the year stimulated by external demand. Capital investment showed the hint of recovery.</p>
Applications	Communication	<div style="display: flex; align-items: center; gap: 10px;">    </div> <p>Core network market was sluggish, but broadband related demand showed solid sales.</p>
	Industrial	<div style="display: flex; align-items: center; gap: 10px;">    </div> <p>Due to strong capital investment, industrial applications showed the sign of recovery</p>
	Consumer	<div style="display: flex; align-items: center; gap: 10px;">    </div> <p>3 major applications, namely, thin displays, DVDs, and digital still cameras, helped the high growth of consumer market.</p>
Customers	Large companies	<div style="display: flex; align-items: center; gap: 10px;">    </div> <p>Business performance vary from company to company. Some customers showed the sign of recovery.</p>
	Broad-base	<div style="display: flex; align-items: center; gap: 10px;">    </div> <p>Customers in the field of industrial equipments showed solid sales.</p>

FY2003 Results Reporting
4

General Overview of FY2003 (Consolidated)

- Sales increased 12.1% year to year.
 - Sales of PLD solutions increased by 21% y/y.
Strong sales was recorded for the industrial applications such as the terrestrial digital broadcasting, measurement applications and medical equipments.
Sales for communication equipment was about the same level as last year's.
 - Sales from solution-based products increased by 24% y/y.
Solutions for broadband network showed solid sales. (VoIP, Broadband router)
 - Sales of analog solutions increased by 7% y/y. (YR2002 had 15 months for Alpha Electronics due to changing fiscal end from September to December. If we compare 12-month figures, sales increased by 42%.)
Strong revenue was recorded from Digital consumer applications such as mobile phone, digital still camera, and DVD.

- Operating profit increased by 68.3% year to year.
 - Gross margin rate declined, but higher operating profit was achieved by decreased SG&A.
 - Gross margin rate declined by 2.3% from the previous year.
 - SG&A rate was successfully reduced by 4.4% from the previous year. (This was achieved by the amortization of consolidated adjustment account in FY2002.)
 - Operating profit rate improved from 4.3%(2002) to 6.3%(2003).

FY2003 Results Reporting

5

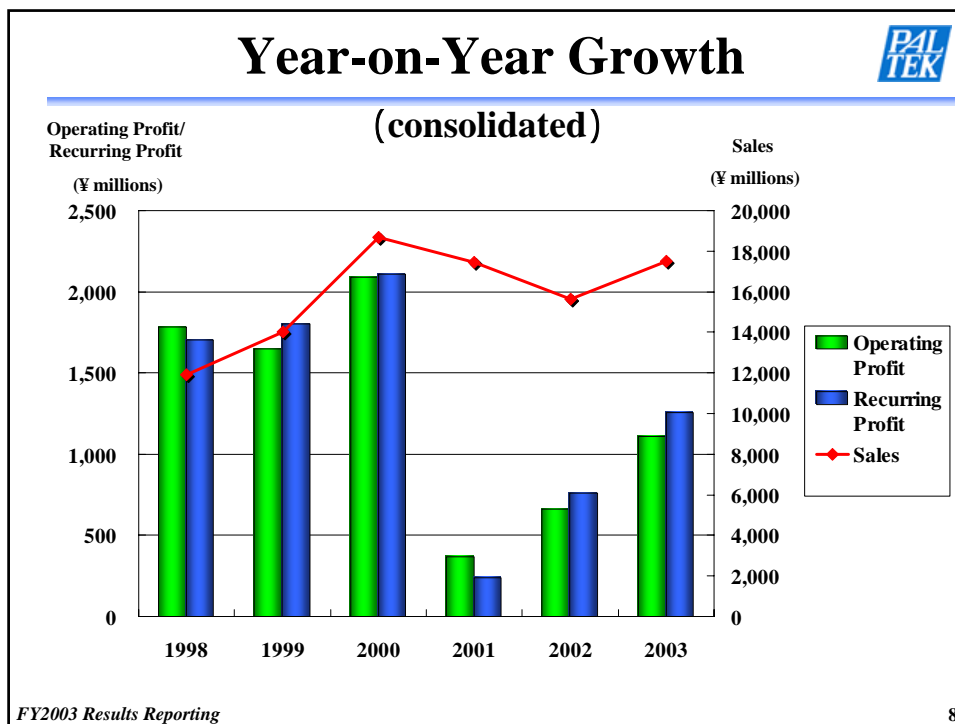
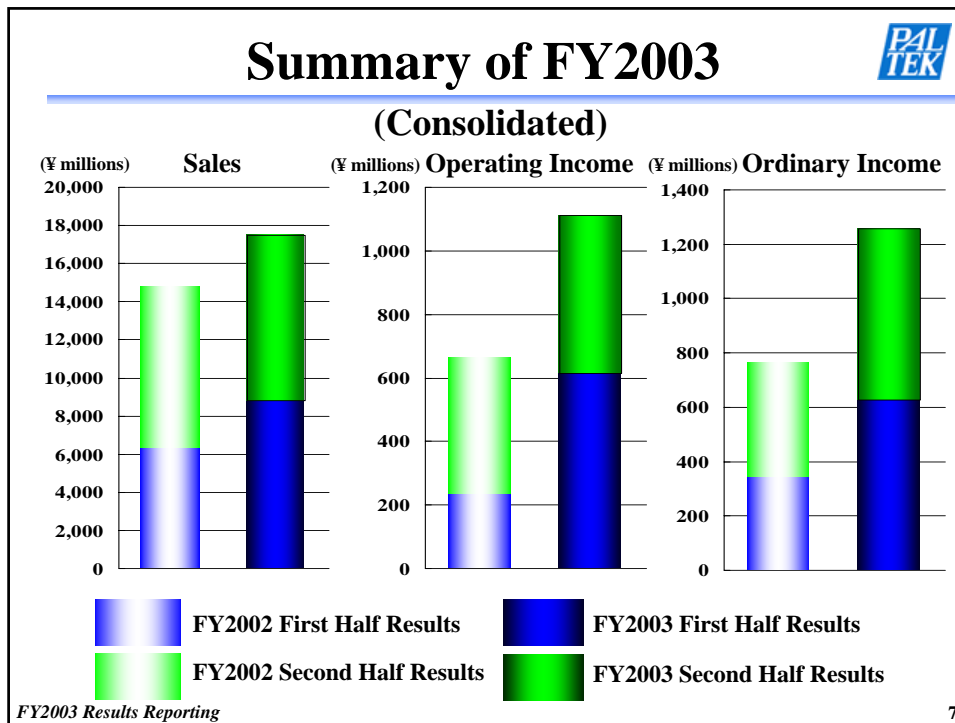
Year End Result (FYE2003)

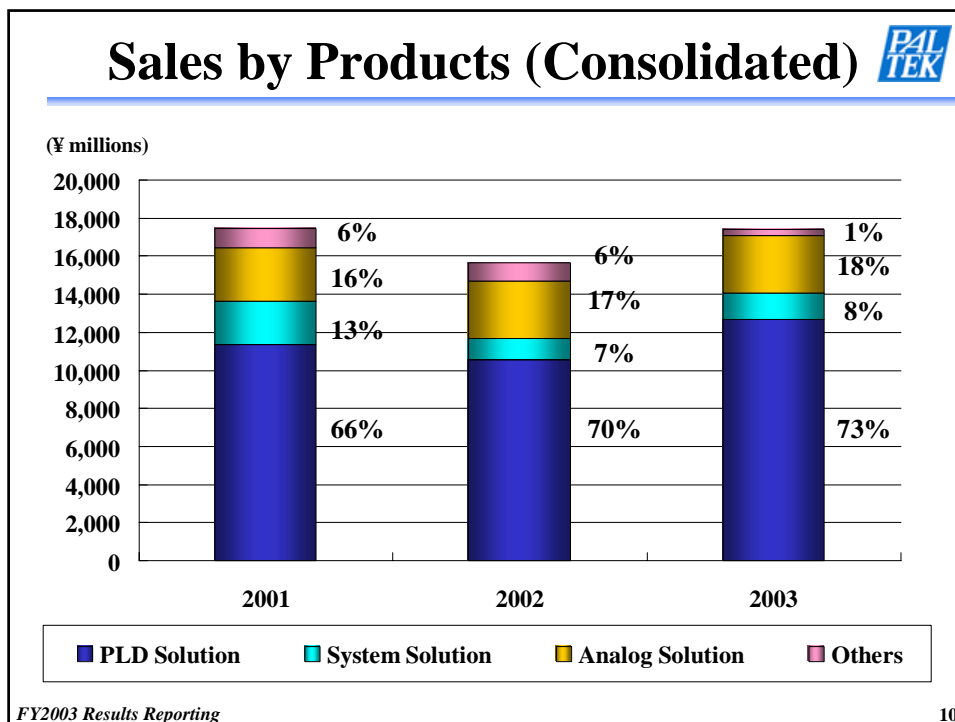
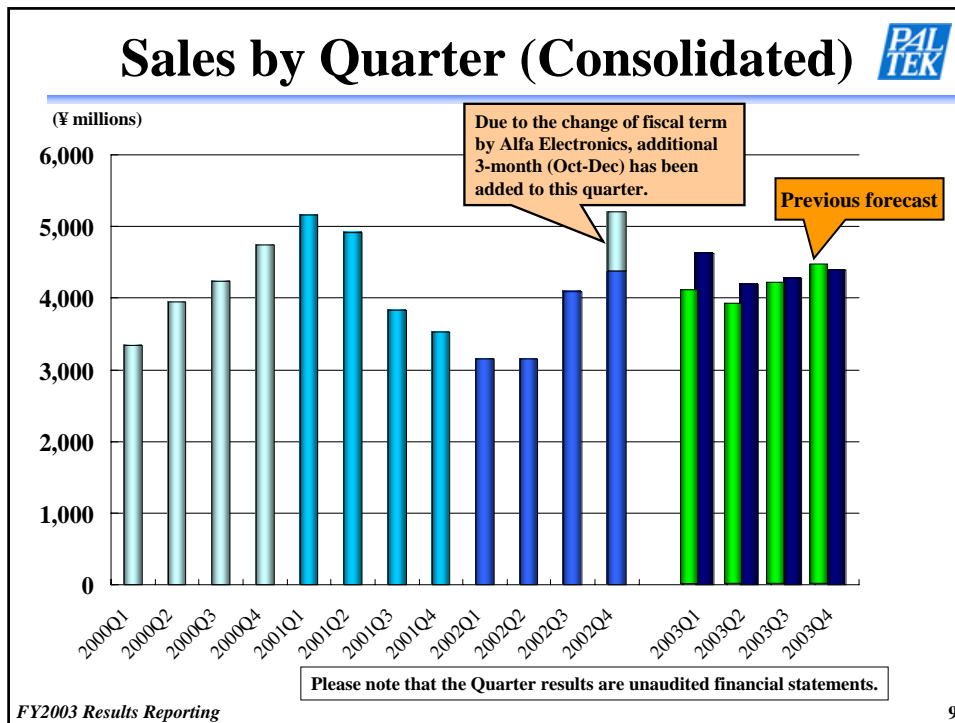
¥ millions (consolidated)

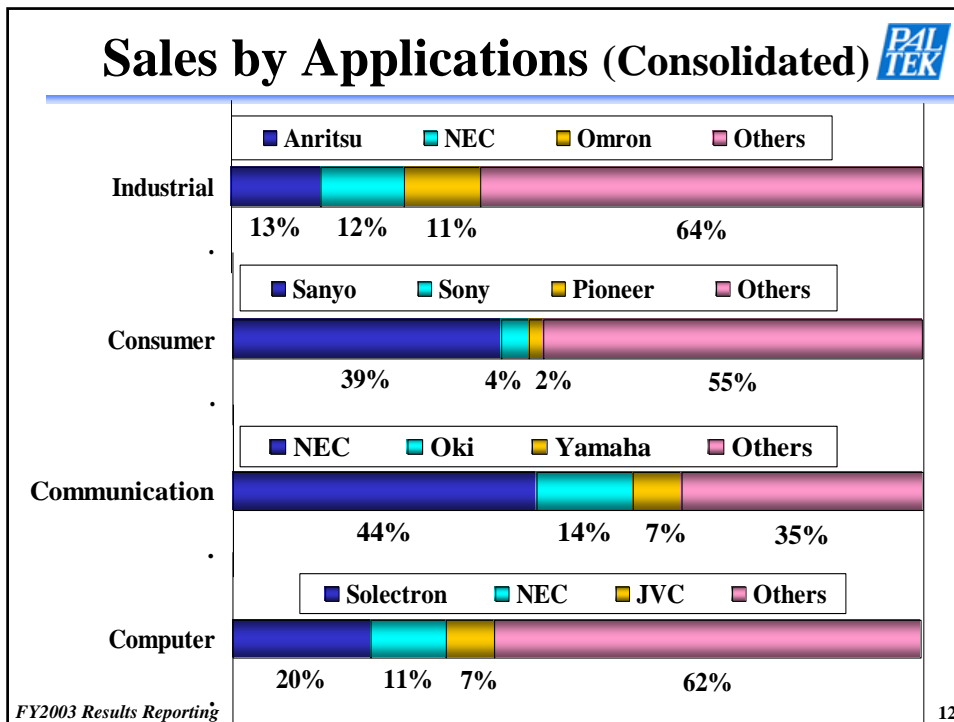
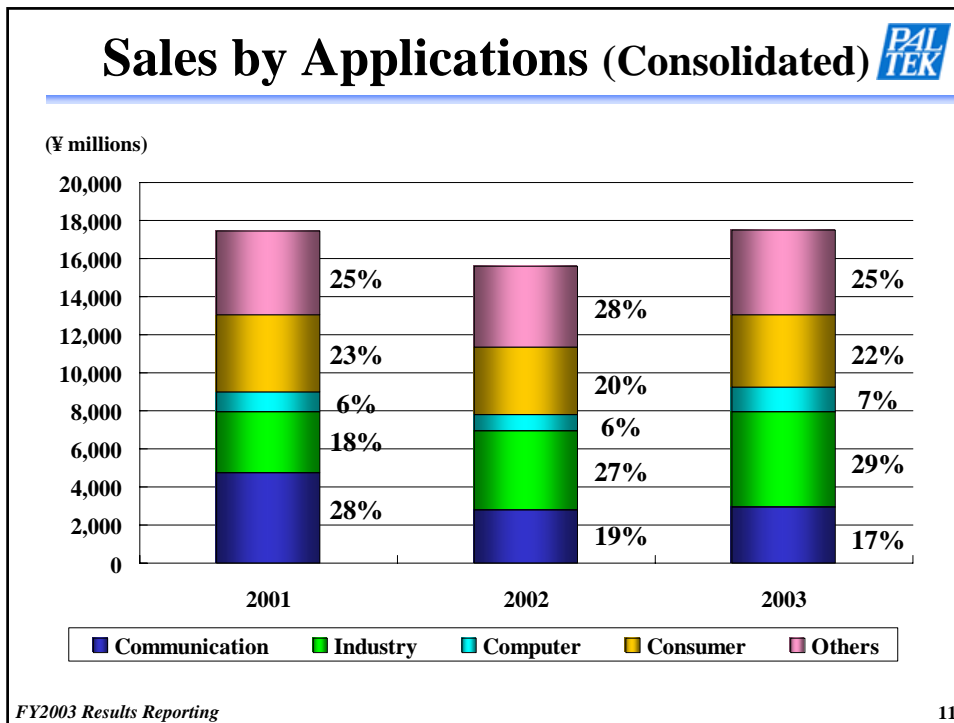
	FY2003 Result	FY2003 Previous Forecast (as of 8.11.2003)	Increase/ Decrease Percentage	FY2002 Result	Increase/ Decrease Percentage
Sales	17,502	17,600	0.6%	15,614	12.1%
Operating Profits	1,111	1,118	0.6%	660	68.3%
Operating Profits ratio	6.3 %	6.4 %		4.3 %	
Recurring Profits	1,258	1,095	14.9%	762	64.9%
Net Profits	632	563	12.3%	21	2,815.8%
EPS	50.65 yen			1.83 yen	
ROA	10.6%			6.5 %	
ROE	7.7%			0.3 %	

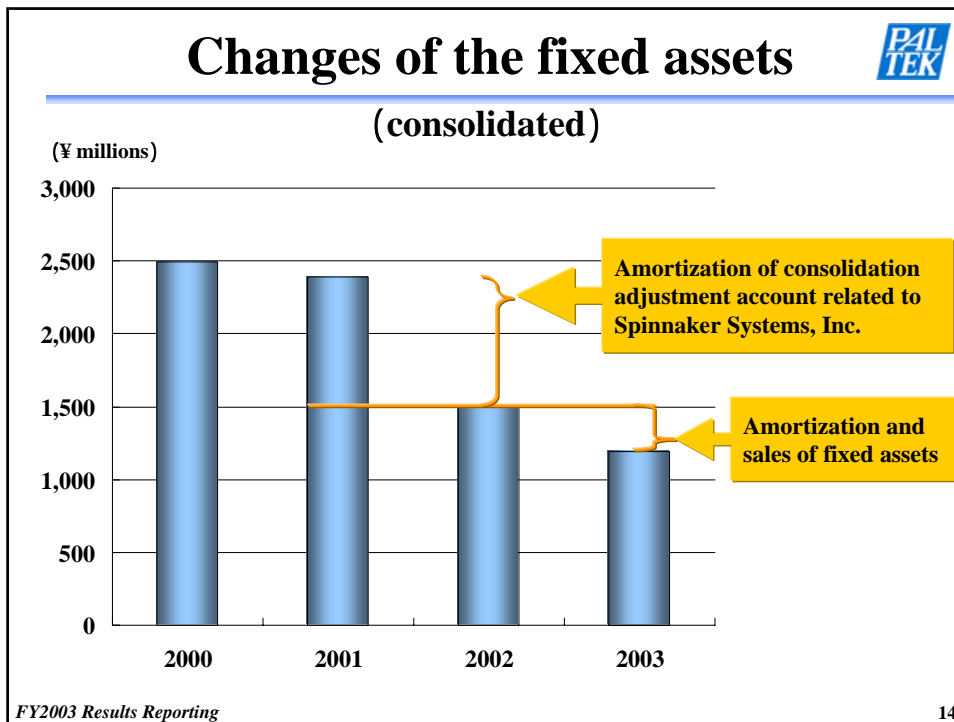
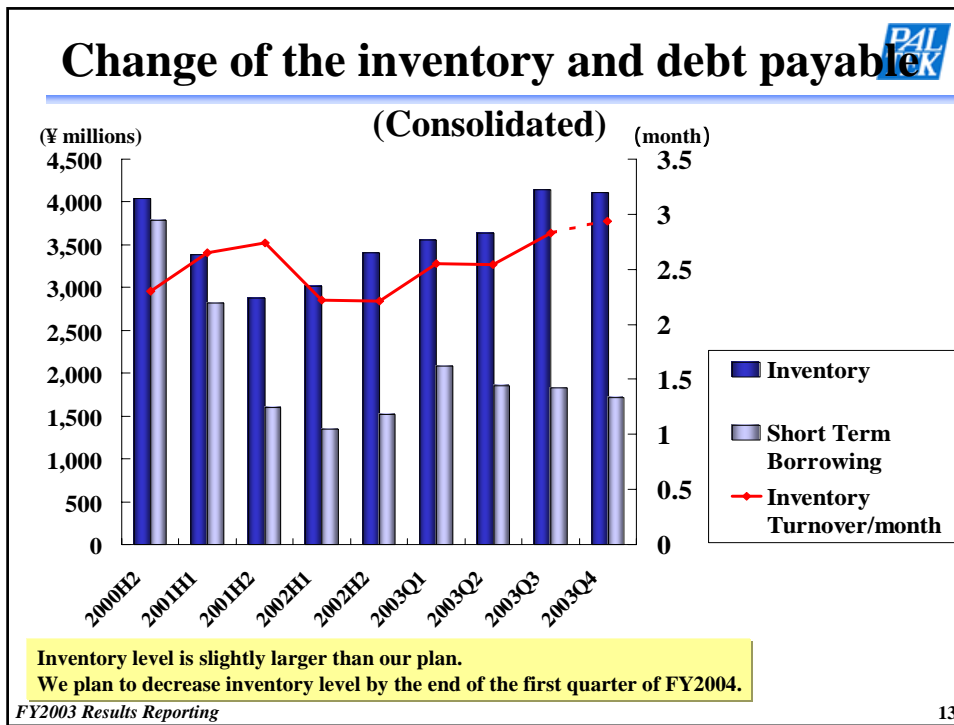
FY2003 Results Reporting

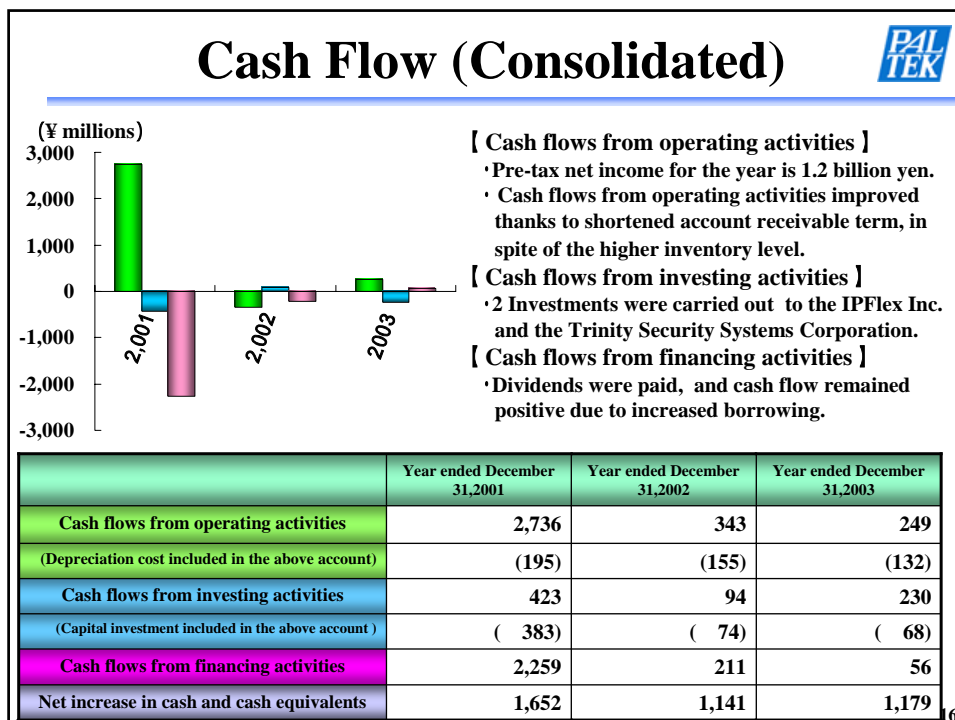
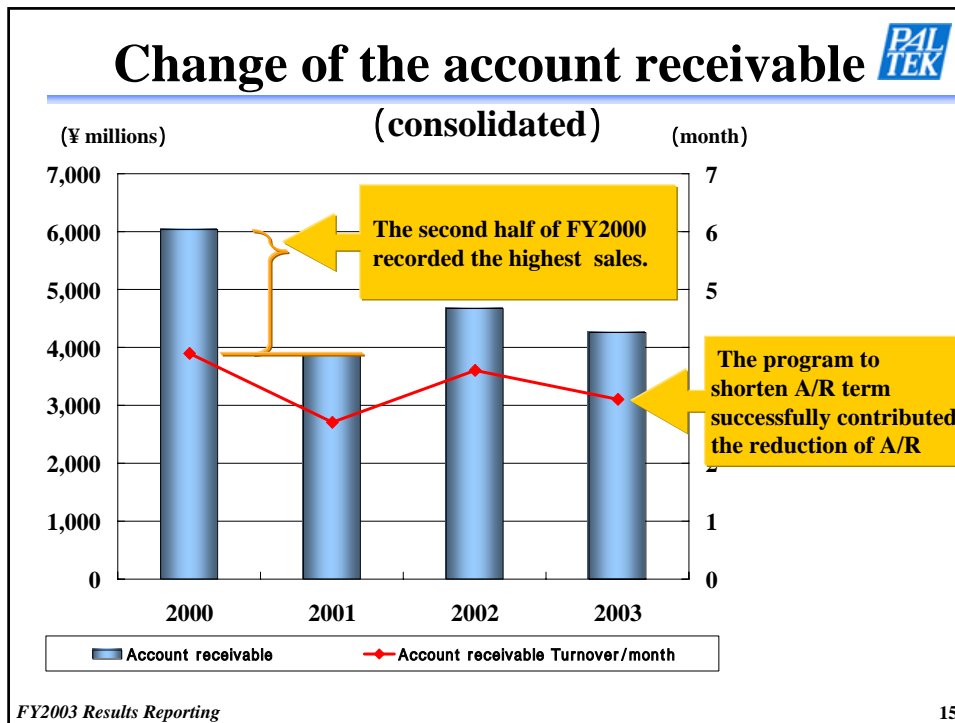
6











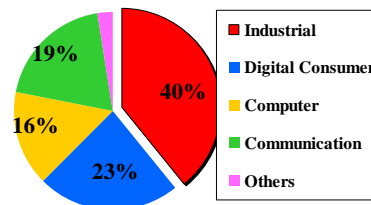
Business Activities in 2003 (1)



1. Strengthen PLD business

- PLD successfully penetrated into high-end digital consumer applications (PDP·AV·DVD)
- PALTEK focused on the identification of design opportunities to increase future sales. Design opportunities for PLD in 2003; 40% for Industrial applications, 20% for Digital consumer,
- PALTEK signed a distribution contract with the power supply supplier, Bellnix Co.,Ltd. in 2003. This further strengthen our total solution abilities to customers.

Number of Design Opportunity



2. Improve analog solutions

- PALTEK strengthen technical support for analog product line.
- Alpha Electronics, Inc. established a branch office in Kanto region to expand analog business.

FY2003 Results Reporting

17

Business Activities in 2003 (2)



3. Provide system solutions for the emerging markets

- Solutions for broadband network applications showed solid sales.
Solutions for VoIP (Audio Codes Ltd.)
Solutions for broadband router (Brecis Communications)
- **Trinity Security Systems**, our partner in security business, is developing gateway. Trinity will launch gateway products in 2004.
- **IPFlex, Inc.**, a developer of dynamic reconfigurable processor, will start shipping engineering samples in March 2004. Mass production will be ready by late this year.
- PALTEK signed with 12 new suppliers in FY2003.

(Detail information is on the next page)

FY2003 Results Reporting

18

New Supplier					
Company Name	Product	Communication	Industrial	Consumer	Computer
Trinity Security Systems Corporation	Security software and hardware				
Bellnix Co., Ltd.	Power ICs				
BitBlitz Communications Inc.	10G Transceivers				
Firecomms Ltd.	Plastic Optical Fiber				
Switchcore Corporation	Ethernet Switch				
Sandburst Corporation	Switching Chipset				
Lenslet Ltd.	Optical DSP				
IPFlex Inc.	Reconfigurable Processor				
Magma Design Automation, Inc.	PLD/FPGA Physical Synthesis Tool				
Veritools Inc.	Verilog / VHDL / SystemC Source Code Debugger				
Golden gate Technology, Inc.	Backend Physical Synthesis Tool				
Verific Design Automation, Inc.	HDL Frontend Tool				


Business Activities in 2003 (3)



4. Other activities

- PALTEK started a program to shorten account receivable term. Account receivable turnover/month was improved from 3.6months(at the end of 2002) to 3.1months(at the end of 2003).
- Logistics department succeeded in further cost reduction.
 - PLD programming cost was cut by 50% compared to FY2000.
- PALTEK obtained ISO14001 certification.
 - Alpha electronics was certified in October 2003.
 - PALTEK was certified in December 2003.












Part

Fiscal Year 2004 Projections

FY2003 Results Reporting
21



Business environment for FY2004 (Summary)

Category	Business climate	Comments
General Business Trend		Export and capital investment will remain strong. Demand from overseas and demand for digital consumer products are expected to boost the economy.
Applications	Communication 	Communication infrastructure-related business will still be sluggish, but Broadband related business will be active.
	Industrial 	Due to active capital investment, industrial applications have high expectations.
	Consumer 	Digital consumer products such as mobile phones and digital camera will show strong sales.
Customers	Large companies 	Business conditions vary from company to company. Some major customers will show the sign of recovery.
	Broad-base 	Customers, especially in the field of industrial applications, will show strong performance

FY2003 Results Reporting
22

Business Forecast of FY2004 (consolidated)

- Sales expects to increase by 14.5% year to year.
 - Consumer market: expected 30% increase y/y.
 - Industrial market: expected 20% increase y/y.
 - Communication market: expected 10% increase y/y.
- Operating profit amount will improve by 8.6% year to year.
 - Gross margin rate is expected to decline due to the change in product mix and the expansion to consumer market.
 - Gross margin rate will decline by 2%.
 - Operating profit ratio will be slightly lower. 6.3% 6.0%
- Net income for the year is expected to decline by 10.2% from the previous year.
 - In FY2003, gain from foreign exchange rate was about 200million yen.

FY2004 will mark a turning point of the profit structure.

FY2003 Results Reporting

23

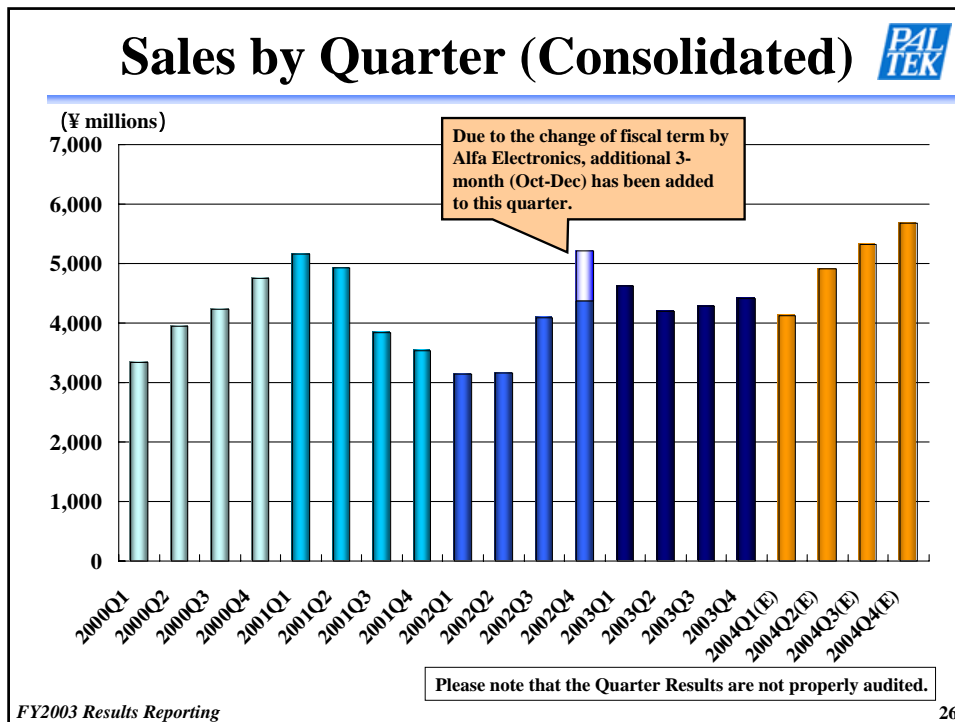
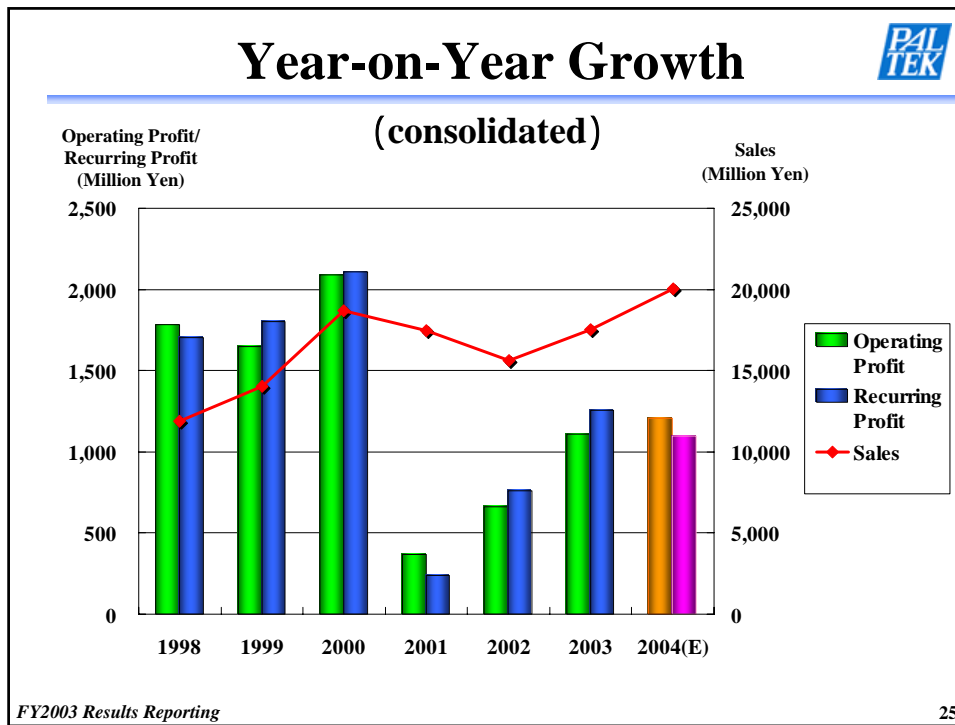
Year End Projections (FYE2004)

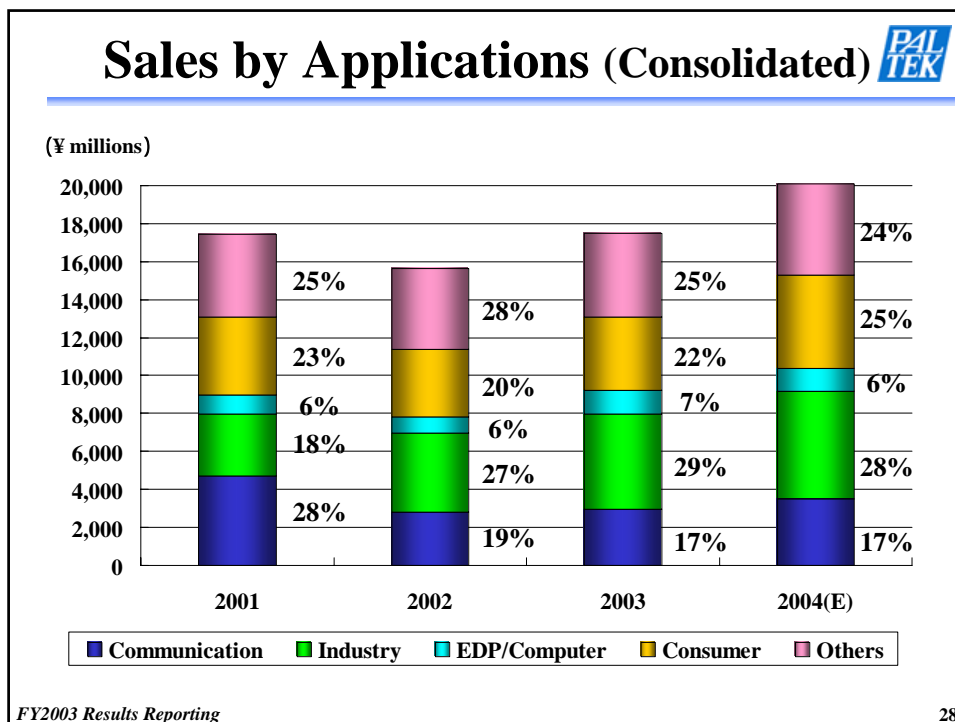
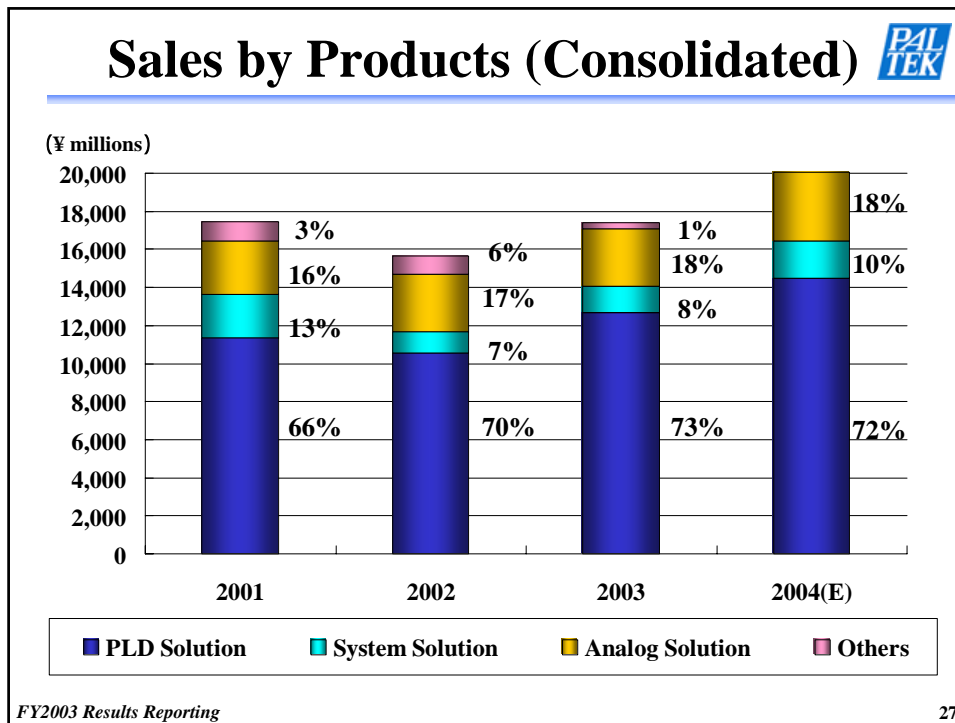
¥ millions (consolidated)

	FY 2004 First Half Forecasts	Half-on-Half Growth	FY 2004 Forecasts	Year-on-Year Growth
Sales	9,030	2.4%	20,032	14.5%
Operating Profits	492	19.9%	1,206	8.6%
Operating Profits ratio	2.1%		6.0%	
Recurring Profits	445	28.9%	1,099	12.6%
Net Profits	221	31.7%	568	10.2%
EPS	-	-	48.0 yen	-

FY2003 Results Reporting

24





Business strategies for FY2004 (1)

1. Strengthen PLD business

- Sales of PLD solutions are expected to increase by 14% y/y.
- PALTEK will accelerate the sales of PLD by penetrating to new application fields and by promoting new PLD products.
- PALTEK Will strengthen solution-based promotions in cooperation with IP vendors and other synergy products such as power ICs of Bellnix.

2. Improve analog solutions

- Sales of analog solutions are expected to increase by 15% compared to the previous year.
- PALTEK will strengthen technical support continuously.
- Alpha Electronics, Inc. is expected to expand sales thanks to a new branch office in Kanto region at the end of the last year.

FY2003 Results Reporting

29

Business strategies for FY2004 (2)

3. Provide system solutions for the emerging markets

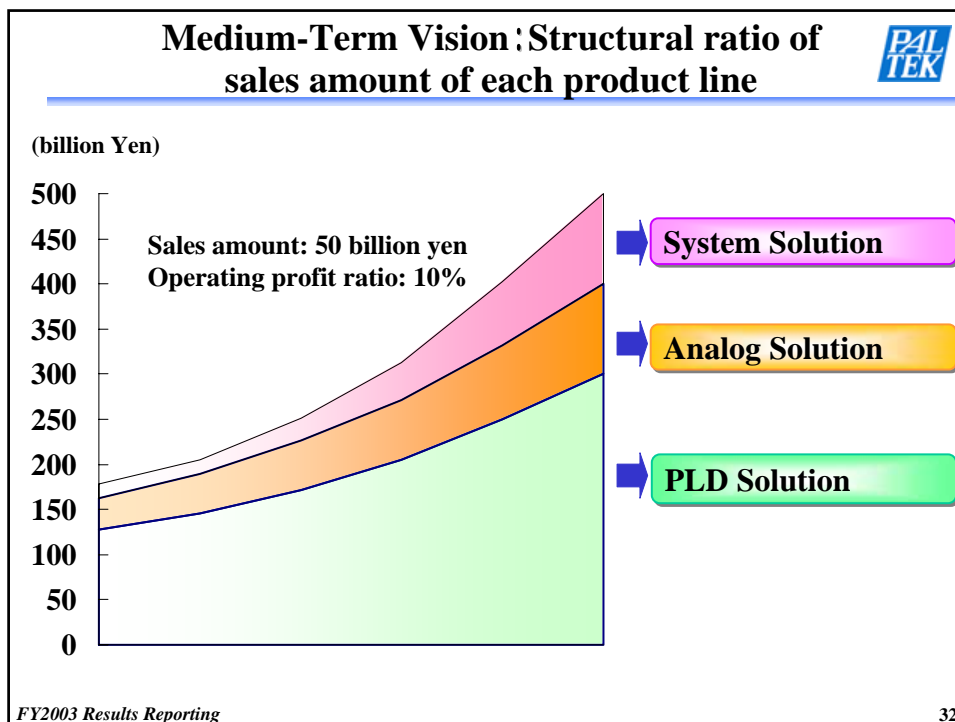
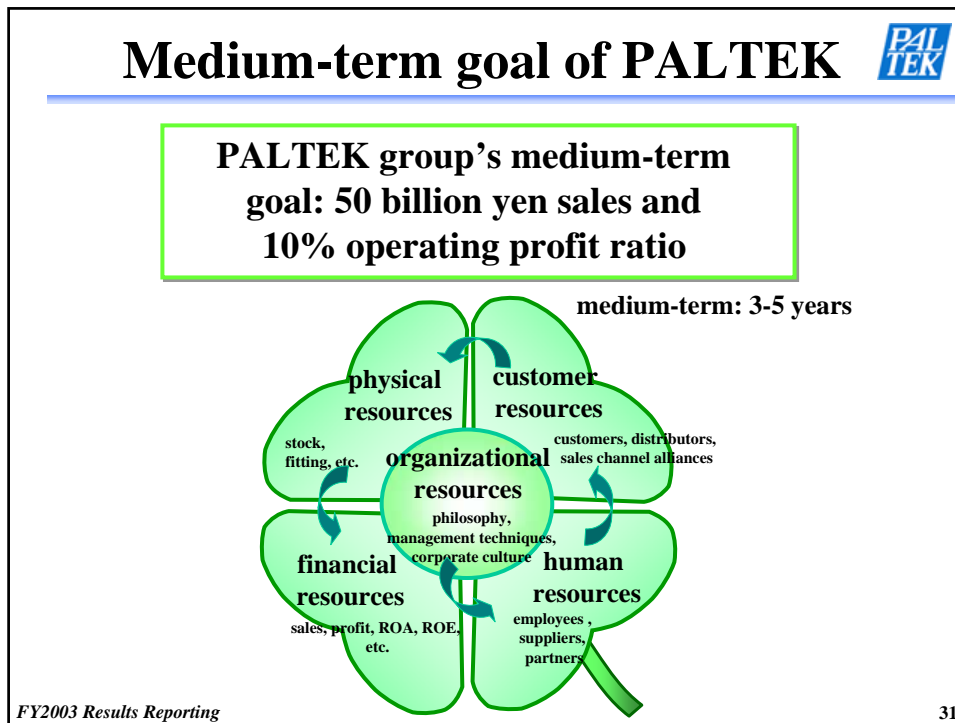
- Sales of the system solutions are expected to increase by 18% y/y.
- Same as the previous year, solutions for VoIP(AudioCodes) are expected to show steady growth. Board and box solutions will increase.
- New businesses, started last year, will be accelerated.
- PALTEK will broaden new business partnerships to further provide the system solutions.

4. Other Business Strategies

- PALTEK will continue the program to shorten account receivable term.
- PALTEK will continue the cost reduction efforts for the logistics department in preparation of rapid increase of shipping units.
- PALTEK will work together with group companies to install more efficient operation systems.

FY2003 Results Reporting

30



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

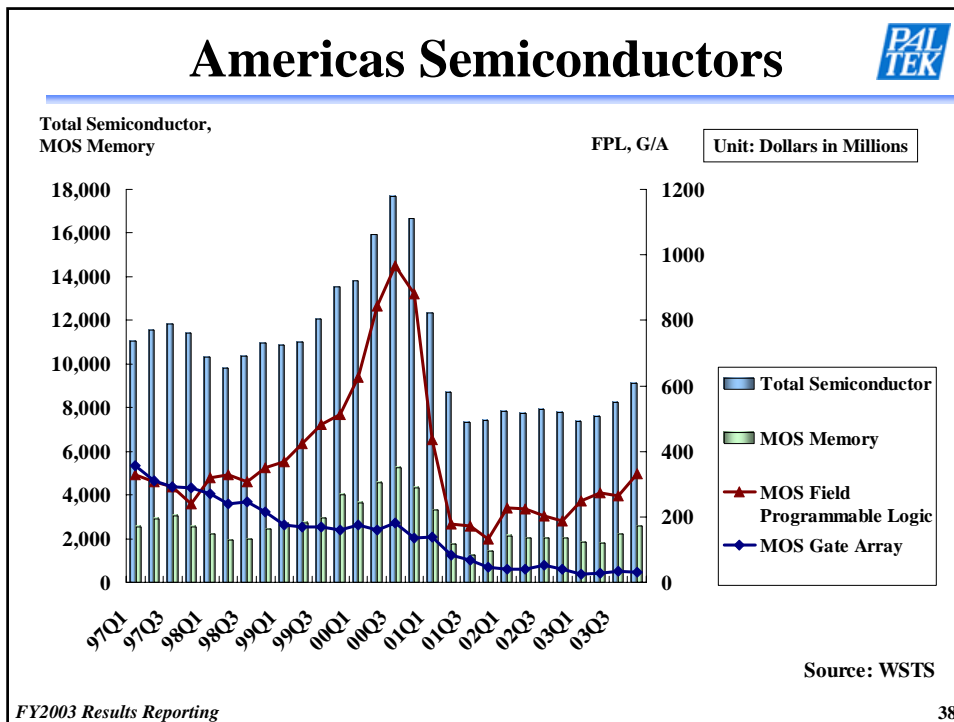
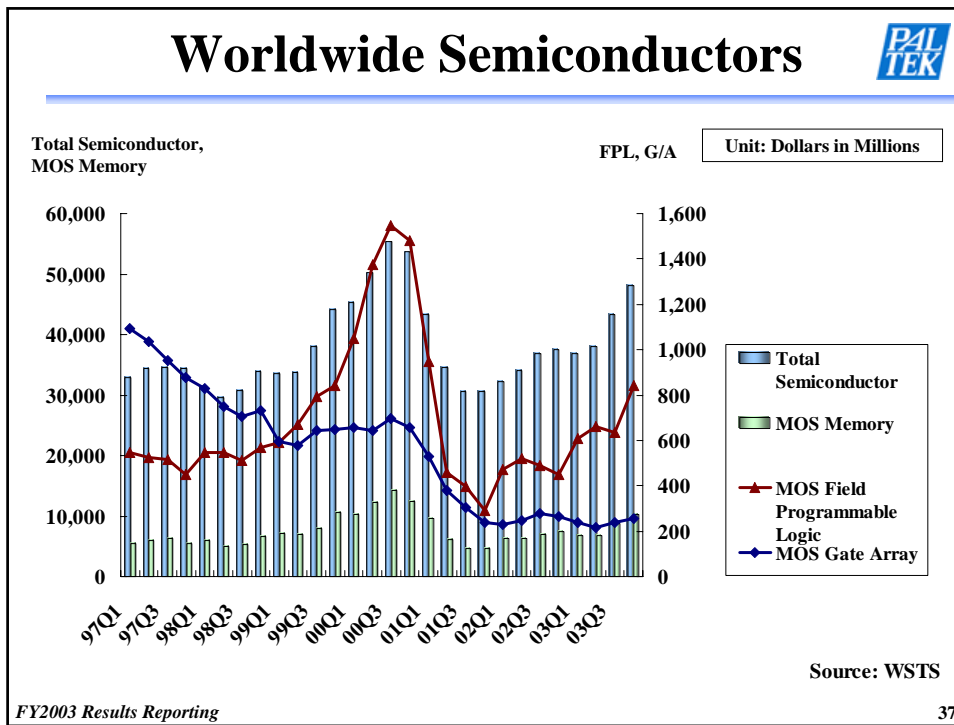


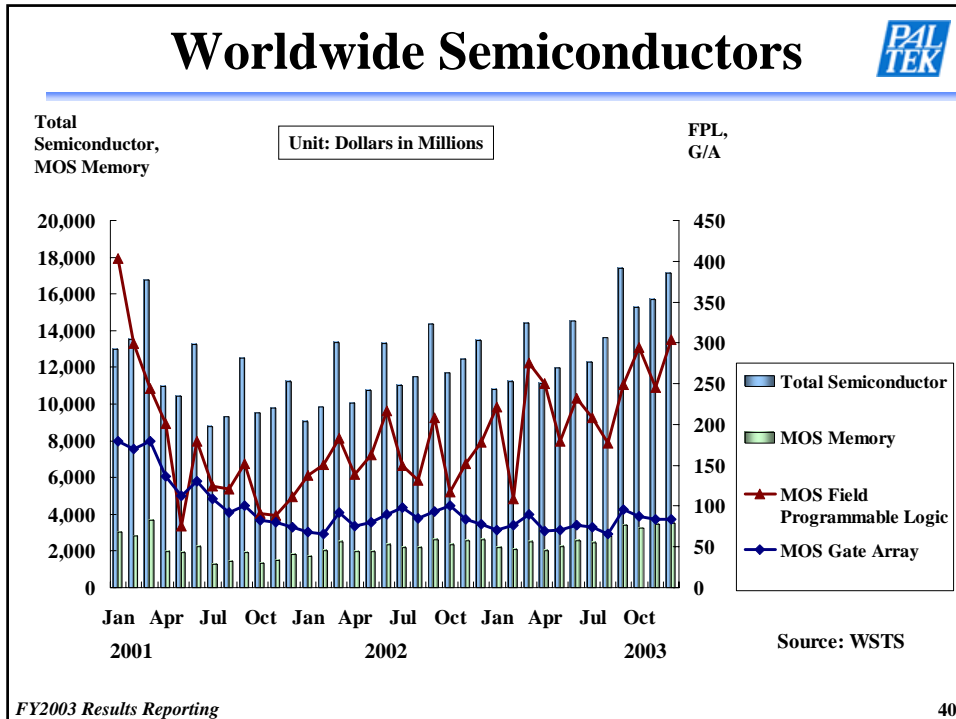
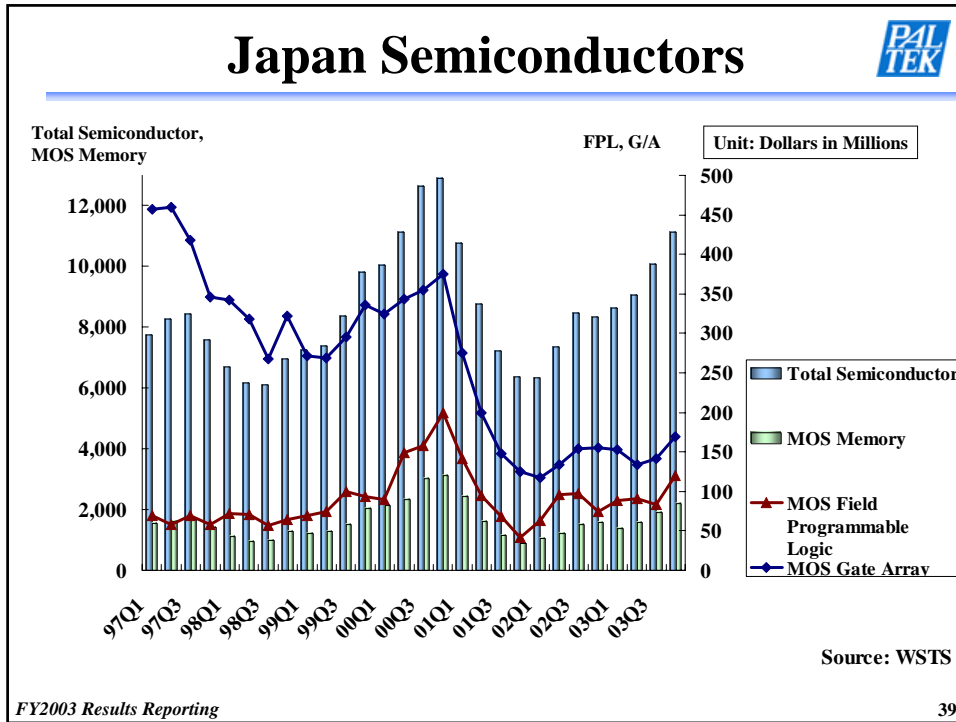
Part Attachments

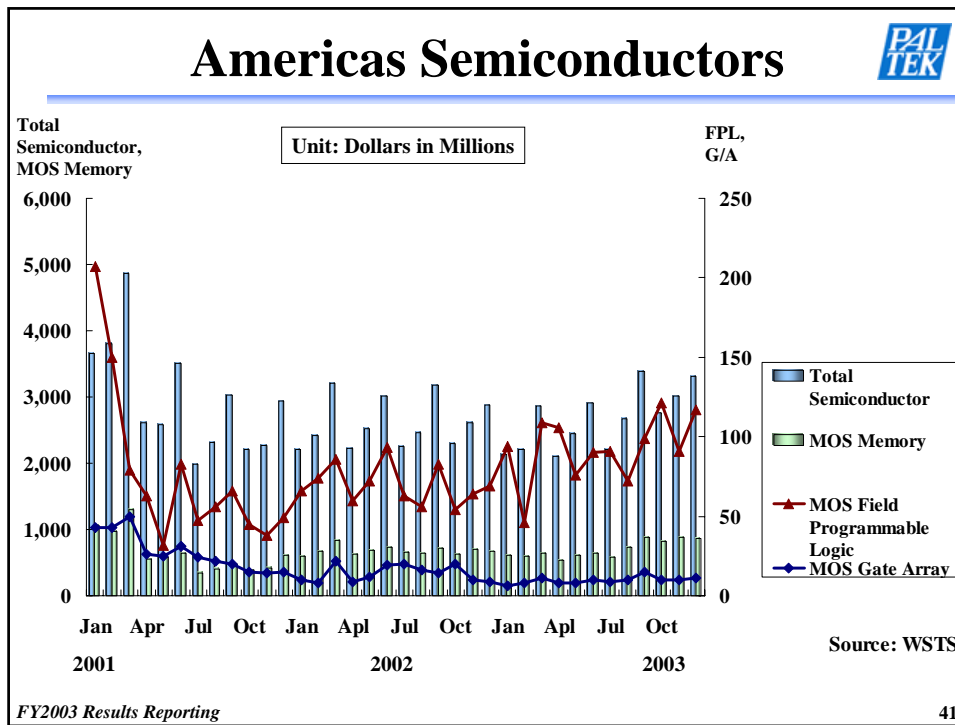


Agenda

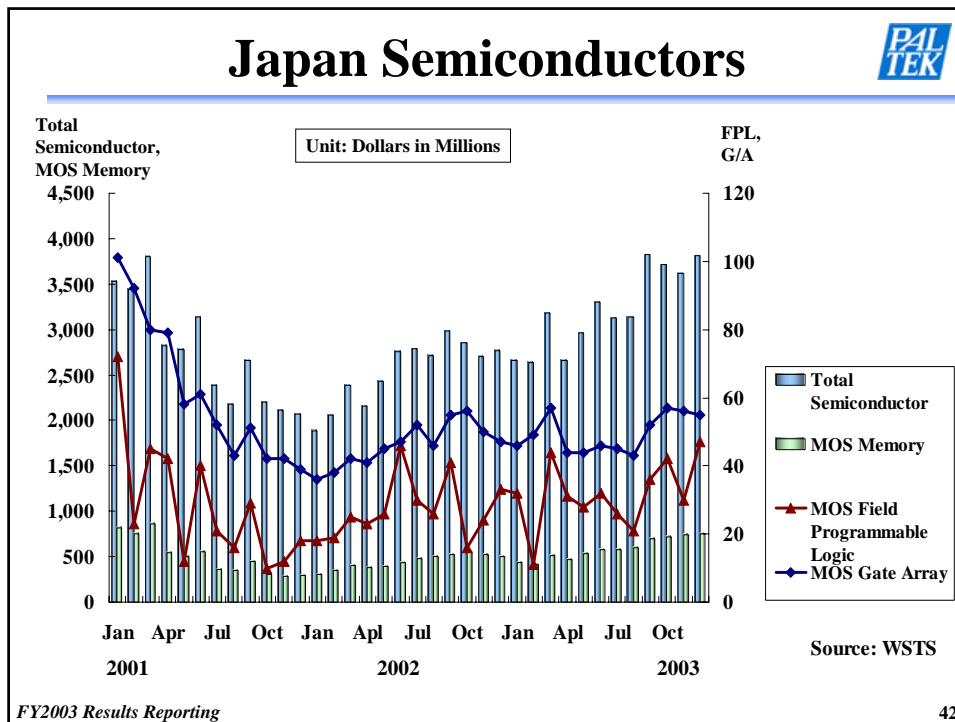
- **Semiconductor Markets Trends**
 - Worldwide / Americas / Japan
- **Sales by Product, Application**
- **Subsidiaries Companies**
- **Definitions of Applications**



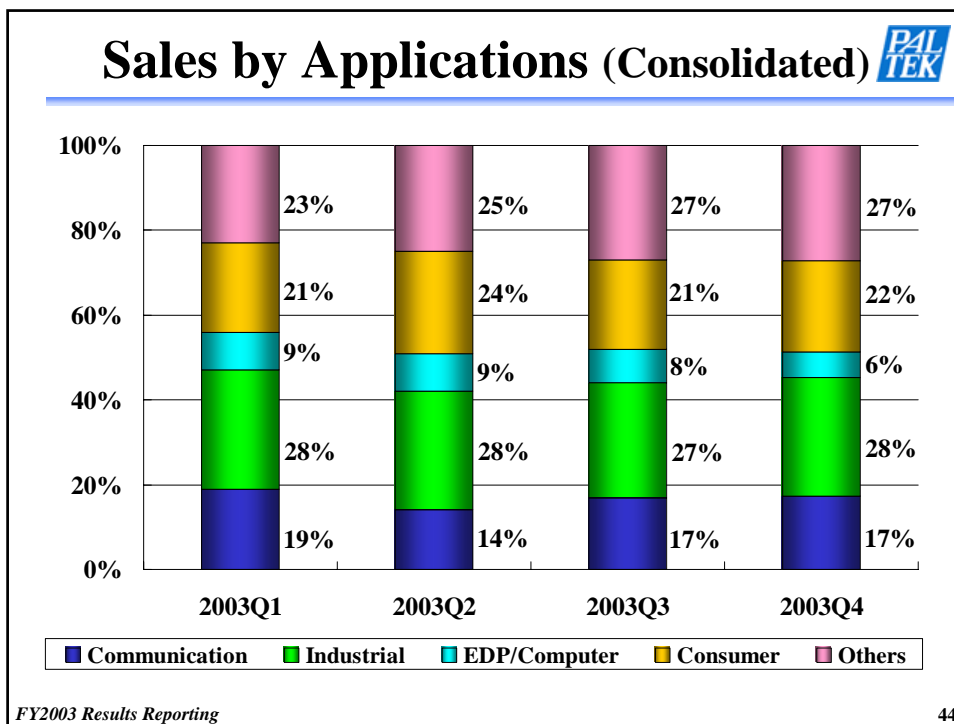
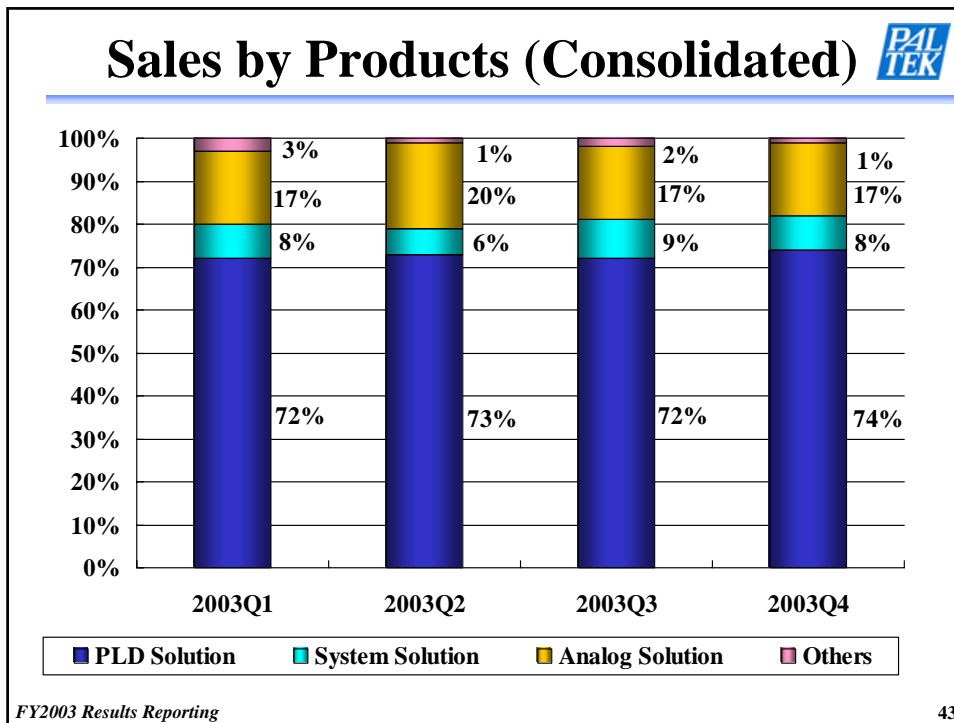


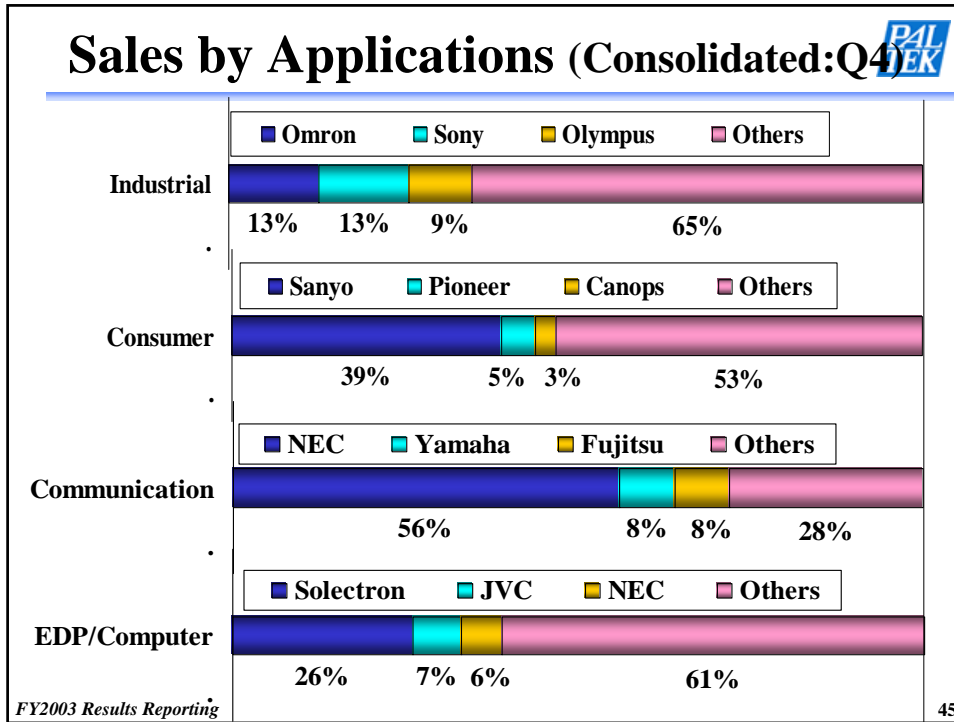


41



42







PAL TEK

Subsidiaries Companies

FY2003 Results Reporting 46




Alpha Electronics, Inc.




Name:	Alpha Electronics, Inc.	http://www.alpha-denshi.co.jp/
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.	

FY2003 Results Reporting 47



Spinnaker Systems, Inc.



Name:	Spinnaker Systems, Inc.	http://www.spinnaker.co.jp/
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:	<ul style="list-style-type: none"> • 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.	

FY2003 Results Reporting 48

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

FY2003 Results Reporting

49