

March 12, 2004

PALTEK Corporation

2-3-12 Shin-Yokohama, Kohoku-ku, Yokohama, Kanagawa

Notice of the 22nd Annual General Meeting of Shareholders

Dear Shareholders,

We cordially invite you to attend the 22nd Annual General Meeting of Shareholders of PALTEK Corporation, which will be held as per the schedule below.

If you are unable to attend the Meeting, please use one of the following methods to exercise your voting rights.

Voting by Postal Mail:

After reviewing the Reference Materials presented herein, please record your vote by marking “for” or “against” for each agenda item on the enclosed Form for Exercising Voting Rights, then sign and return it by postal mail.

Voting by the Internet:

Please use the voting code and temporary password provided on the enclosed Form for Exercising Voting Rights to access the Company’s voting rights website (<http://www.koushi.ufjtrustbank.co.jp>). Then after reviewing the Reference Materials presented herein or on the website, please follow the instructions given on the website to indicate your vote “for” or “against” each agenda item shown. Before exercising your voting rights via the Internet, we ask you to refer to the Points to Note Regarding Online Voting by Shareholders on page 17 of the enclosed materials.

Sincerely,

Tadahito Takahashi

President and Representative Director

- 1) **Date and Time:** 1:00PM on Saturday, March 27, 2004
- 2) **Location:** PALTEK Corporation Head Office, Seminar Room, 3rd Floor, Shin-Yokohama Mineta Bldg., 2-3-19 Shin-Yokohama, Kohoku-ku, Yokohama, Kanagawa
- 3) **Meeting Agenda:**

Items to be reported:

Business Report, Balance Sheet, and Statement of Income for the Company’s 22nd business

term (from January 1, 2003 to December 31, 2003).

Items to be resolved:

- Item 1:** Approval of proposal for the appropriation of retained earnings for the 22nd business term
- Item 2:** Approval of amendments to the Articles of Incorporation
Refer to the outline of the proposal in the enclosed document “Reference Materials for Exercising Voting Rights” (pages 3 to 6)
- Item 3:** Appointment of five directors
- Item 4:** Appointment of one corporate auditor
- Item 5:** Payment of retirement allowances to retiring director and corporate auditor
- Item 6:** Granting of new share subscription rights with preferential conditions to non-shareholders outlined in the enclosed document “Reference Materials for Exercising Voting Rights” (pages 8 to 11)
- Item 7:** Approval for revision of Agenda Item 8 resolved at the 21st Annual General Meeting of Shareholders. Details are outlined in the enclosed document “Reference Materials for Exercising Voting Rights” (pages 11 to 13)

Please submit your Form for Exercising Voting Rights at the reception on the day of the Annual General Meeting of Shareholders.

(This English translation is an abridged version of the original invitation notice in Japanese. In the event of any discrepancies, the Japanese version shall prevail.)

REFERENCE MATERIALS FOR EXERCISING VOTING RIGHTS

1. Total number of subscription rights: 117,949

2. Agenda items and reference materials

Item 1: Approval of proposal for the appropriation of retained earnings for the 22nd business term

	Yen
Unappropriated retained earnings at term end	928,930,212
Appropriation of retained earnings:	
Cash dividends (¥10 per share)	118,338,800
Bonuses to directors and corporate auditors	24,715,000
(Bonuses to corporate auditors	3,525,000)
Voluntary reserve	600,000,000
Retained earnings carried forward	185,876,412

The proposed appropriation of retained earnings is as portrayed in the table stated above.

The PALTEK group recognizes that providing value to shareholders is one of management's primary concerns. Accordingly, its basic policy on dividends will be to continue to make payouts that are appropriate in light of its needs to build a strong operating foundation and to finance future business initiatives. It will do so while endeavoring to enhance financial performance and operating efficiency.

With respect to dividend payouts, the Company will maintain a dividend rate of 10 yen per share. With this as a baseline, it will decide on any future changes by considering the appropriateness of its dividend payout ratio in relation to consolidated and parent company earnings.

We propose to pay a dividend of ¥10 per share in the current term.

Item 2: Approval of amendments to the Articles of Incorporation

1. Reasons for the amendments

(1) In accordance with the implementation of the amendment to the Commercial Code (Law No. 44, 2002), which took effect on April 1, 2003, we recognize the requests of odd-lot shareholders to buy shares and the enactment of a regulation for lost stock certificates.

(2) Along with the implementation of the revisions in the Law for Special Exceptions to the Commercial Code Concerning Audits, etc. of *Kabusiki Kaisha* (Law No. 132, 2003), which took effect on September 25, 2003, we seek to make revisions to our Articles of Incorporation to allow the Company to buy back its shares upon approval of the Board of Directors.

- (3) We seek revisions to allow us to shorten the term of office of directors from two years to one year.
- (4) In accordance with the implementation of the revisions in the Law for Special Exceptions to the Commercial Code Concerning Audits, etc. of *Kabusiki Kaisha* (Law No. 149, 2001), which took effect on May 1, 2002, we seek revisions to reflect the establishment of outside board members and a limited liability system.
- (5) To reflect the addition of these new articles of revisions, we propose to revise the numbers of the present Articles of Incorporation.

2. Amendment details

Amendments to the Articles of Incorporation are as follows.

(Underlined portions indicate amendments)

Present Articles of Incorporation	Amended Articles of Incorporation	Reason for the amendments
New article	<p><u>(Share purchase system for odd-lot shareholders)</u> <u>Article 7</u> <u>Odd-lot shareholders of the Company (including beneficial shareholders; hereinafter the same) shall be allowed to purchase single units of shares (hereafter referred to as a “share purchase”). However, this condition will not apply if the Company does not have treasury stock at the time when the request for a share purchase is made.</u></p> <p>2 <u>The period and manner in which the share purchase may be conducted will be determined by the share handling provisions.</u></p>	In accordance with the amendment of the Commercial Code (Law No. 44, 2002, effective April 1, 2003), we have made this new article to reflect our recognition of requests by odd-lot shareholders to buy shares.
<p>(Transfer agent) <u>Article 7</u> We will maintain a transfer agent for our shares.</p> <p>2 The transfer agent and its location will be selected at a meeting of the Board of Directors.</p> <p>3 Our shareholders register (including beneficial shareholders register) will be maintained at the offices of the transfer agent. Share transfer, registration of pledges, indication of trust estate, non-possession of stock certificates, various notifications of shareholders, re-issuance of stock certificates, notification and</p>	<p>(Transfer agent) <u>Article 8</u> We will maintain a transfer agent for our shares.</p> <p>2 The transfer agent and its location will be selected at a meeting of the Board of Directors.</p> <p>3 Our shareholders register (including beneficial shareholders register) <u>and the register of lost stocks</u> will be maintained at the offices of the transfer agent. Share transfer, registration of pledges, indication of trust estate, non-possession of stock certificates, various notifications of shareholders, re-issuance of stock certificates, notification</p>	In accordance with the amendment of the Commercial Code (Law No. 44, 2002, effective April 1, 2003), we have established a system for annulment of lost stock certificates and the recognition of single-unit stock purchase requests by odd-lot shareholders and have made the appropriate revisions to our Articles of Incorporation.

acceptance of beneficial shareholders, beneficial shareholders register preparation, purchases of odd-lot shares, and other stock-related administrative functions shall be handled by the transfer agent on behalf of the Company.	and acceptance of beneficial shareholders, beneficial shareholders register preparation, purchases of odd-lot shares <u>and sales of shares to odd-lot shareholders, registration procedures for lost stock certificates</u> , and other stock-related administrative functions shall be handled by the transfer agent on behalf of the Company.	
(Stock handling provisions) Article 8 With regard to the various types of our stock certificates and the transfer of shares, registration of pledges, indication of trust estate, non-possession of stock certificates, various notifications of shareholders, re-issuance of stock certificates, notification and acceptance of beneficial shareholders, beneficial shareholders register preparation, purchases of odd-lot shares, and other stock-related administrative functions and commissions will be determined by the stock handling provisions made at a meeting of the Board of Directors.	(Stock handling provisions) Article 9 With regard to the various types of our stock certificates and the transfer of shares, registration of pledges, indication of trust estate, non-possession of stock certificates, various notifications of shareholders, re-issuance of stock certificates, notification and acceptance of beneficial shareholders, beneficial shareholders register preparation, purchases of odd-lot shares <u>and sales of shares to odd-lot shareholders, registration procedures for lost stock certificates</u> , and other stock-related administrative functions and commissions will be determined by the stock handling provisions made at a meeting of the Board of Directors.	In accordance with the amendment of the Commercial Code (Law No. 44, 2002, effective April 1, 2003), we have established a system for annulment of lost stock certificates and the recognition of single-unit stock purchase requests by odd-lot shareholders and have made the appropriate revisions to our Articles of Incorporation.
(Closing of the list of shareholders and record date) Article 9 (Omitted)	(Closing of the list of shareholders and record date) Article 10 (Unchanged)	
New article	<u>(Stock buy-backs determined by Board of Directors)</u> Article 11 <u>In accordance with the Commercial Code, Article 211-3, Clause 1, Item 2, our company may buy back its stocks by a resolution of the Board of Directors.</u>	We have made this new article along with the implementation of the revision in the Law for Special Exceptions to the Commercial Code Concerning Audits, etc. of <i>Kabushiki Kaisha</i> (Law No. 132, 2003, effective September 25, 2003), to allow us to buy back our shares by a resolution of the Board of Directors.
Article 10 (Omitted) Article 16	Article 12 (Unchanged) Article 18	
(Term of office for directors) Article 17 The term of office for directors will end upon completion of the last Annual General Meeting of Shareholders within <u>two</u> years of appointment. 2. The term of office for directors selected to replace existing directors or added as new directors will end upon completion of the term of office for incumbent directors.	(Term of office for directors) Article 19 The term of office for directors will end upon completion of the last Annual General Meeting of Shareholders within <u>one</u> year of appointment. 2. (Unchanged)	These changes have been made to reflect the shortening of the term of office for directors to one year.
Article 18 (Omitted) Article 20	Article 20 (Unchanged) Article 22	

New Article	<u>(Limited liability contract for outside directors)</u> <u>Article 23</u> <u>The Company (as per Paragraph 2, Item 7, Clause 2, Article 188 of the Commercial Code regarding outside directors) and any outside directors may enter into an agreement to limit any liability resulting from damages to the Company in accordance with Clause 8, Article 266 of the Commercial Code, or any actions within the scope of liability stipulated in Item 5, Clause 1 of Article 266 of the Commercial Code, so long as the outside director is deemed to have been acting in good faith and not to have been grossly negligent.</u>	We have made this new article In accordance with the implementation of the revision in the Law for Special Exceptions to the Commercial Code Concerning Audits, etc. of <i>Kabushiki Kaisha</i> (Law No. 149, 2001, effective May 1, 2002).
Article 21 (Omitted) Article 32	Article 24 (Unchanged) Article 35	

Item 3: Appointment of five directors

As the term of office for five directors will terminate upon the conclusion of this Annual General Meeting of Shareholders, we request the new appointment of five directors.

Brief information about the candidates for appointment is listed below:

Number	Name and date of birth	Brief background and representative status with other companies	Number of shares owned in the Company
1	Tadahito Takahashi October 24, 1948	Oct. 1982 Established PALTEK Corporation and appointed President (incumbent) Oct. 1998 Appointed Chairman and Representative Director of Alpha Electronics, Inc. Dec. 1999 Appointed Chairman of Alpha Electronics, Inc. (incumbent)	2,642,140
2	Hiroyuki Takasaki September 25, 1946	Sep. 1971 Joined Texas Instruments Japan Ltd. Apr. 1988 Appointed General Manager of Marketing Oct. 1993 Joined Applied Materials Japan, Inc. as Manager of Marketing and Service Aug. 1997 Appointed President of Xilinx, Inc. Feb. 2000 Joined S.C.G. Japan, Inc. as Director Jun. 2000 Joined PALTEK Corporation Jan. 2001 Appointed General Manager of Sales Division Mar. 2001 Appointed Director Jan. 2002 Appointed Director of Spinnaker Systems, Inc. Jan. 2003 Appointed Vice President of PALTEK Corporation (incumbent), and General Manager of PLD Business Division (incumbent)	8,700
3	Masanori Kanamori April 18, 1947	Mar. 1979 Joined Texas Instruments Japan Ltd. Jul. 1997 Appointed General Manager of MOS Memory Business Division, Semiconductor Business Headquarters Nov. 1998 Joined PALTEK Corporation as Advisor to Network Group Mar. 1999 Appointed Director Jan. 2003 Appointed General Manager of System Solution Division (incumbent) May 2003 Appointed Director of Spinnaker Systems, Inc. (incumbent)	4,500

4	Tadashi Ito October 5, 1949	Apr. 1973 Jul. 1982 Jul. 1990 Mar. 1995 Nov. 1998 Apr. 2000 Jun. 2001 Jan. 2002 Mar. 2003	Joined Japan Automobile Research Institute Joined Texas Instruments Japan Ltd. Appointed Accounting Manager of ASP Business Dept. Appointed Controller of ASP Business Dept. Appointed Japan Office Manager of Vivid Semiconductor Co., Ltd. Appointed Administration Manager of Mattson Technology Center Inc. Joined PALTEK Corporation Appointed Manager of Finance & Legal Group, Operational Service Division Appointed Director and General Manager of Operational Service Division, and In Charge of Environment (incumbent)	2,100
5	Masahiko Hirata February 1, 1931	Apr. 1954 Nov. 1970 Jun. 1978 Jun 1980 Feb. 1985 Feb. 1986 Jun. 1987 Jun. 1988 Jun. 1993 Mar. 2001	Joined Matsushita Electric Industrial Co., Ltd. Appointed Director of Victor Company of Japan, Ltd. Appointed Managing Director Appointed Senior Managing Director Appointed Director of Matsushita Electric Industrial Co., Ltd. Appointed Managing Director Appointed Senior Managing Director Appointed Executive Vice President Appointed Standing Corporate Auditor Appointed Director of PALTEK Corporation (incumbent)	13,940

None of the above candidates has any substantial business interest in the Company which may be conflicting with the performance of his duties.

Item 4: Appointment of one corporate auditor

The term of office of corporate auditor Takashi Nakagami will terminate upon the conclusion of this Annual General Meeting of Shareholders. Consequently, we request the approval of the appointment of one corporate auditor. Brief information about the candidate for appointment is stated below. Furthermore, we have already received the approval for this candidate from the Board of Corporate Auditors.

Name and date of birth	Brief background and representative status with other companies	Number of shares owned in the Company
Isao Tsubaki January 25, 1948	Mar. 1978 Registered as a Certified Public Accountant Sep. 1986 Joined Sanwa Auditors, Co. as Partner (currently Tohmatsu & Co.) May 1993 Appointed Representative Partner Jan 1997 Appointed Principal of Isao Tsubaki CPA Office (incumbent) Jun. 1999 Appointed Representative Director of Tsubaki Management Consulting Co., Ltd. (incumbent)	--

1. The above candidate has no substantial business interest in the Company which may be conflicting with the performance of his duties.
2. Isao Tsubaki is also a candidate to become an outside auditor of the Company in accordance with Article 18, Clause 1 of the Law for Special Exceptions to the Commercial Code Concerning Audits, etc. of *Kabushiki Kaisha*.

Item 5: Payment of retirement allowances to retiring director and corporate auditor

In recognition of the valuable services of Director Yoshio Sakurai, who resigned from the Company effective January 31, 2004, and Corporate Auditor Takashi

Nakagami, whose term will end upon the conclusion of the present General Meeting of Shareholders, the Company proposes the payment of retirement allowances in accordance with the established corporate standards.

The Board of Directors shall determine the amount, date, and method of payment of these retirement allowances. The following is an outline of the Director's and the Corporate Auditor's careers with the Company.

Name	Brief background of career with the Company
Yoshio Sakurai	Mar. 2002 Appointed Director Jan. 2004 Resigned as Director
Takashi Nakagami	Mar. 1997 Appointed Corporate Auditor (incumbent)

Item 6: Grant of new share subscription rights with preferential conditions to non-shareholders

With the aim of more directly linking the compensation of directors of the Company and its subsidiaries to the business performance of these Companies, and thereby providing these directors with greater incentives to improve medium term earnings, as well as boosting their morale, the Board of Directors requests an approval of gratis grant of new share subscription rights (stock options) to the directors in accordance with the stipulations of Clauses 20 and 21 of Article 280 of the Commercial Code.

Outline of issuance of new share subscription rights

- (1) Persons eligible for grant of new share subscription rights
Directors of the Company as well as directors of its subsidiaries
- (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 120,000 shares
- (3) Total number of subscription rights to be issued
A maximum of 1,200 subscription rights in aggregate (each subscription right shall entitle a holder to purchase 100 ordinary shares of common stock)

(4) Issuance price of share subscription rights

Gratis grant

(5) Payment due upon exercise of share subscription rights

The amount payable to the Company upon the exercise of subscription rights shall be the price of each underlying common stock as described below multiplied by the number of shares represented by each subscription right (100 shares) in (3) above.

The exercise price per share shall be the average 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 and rounded up to the nearest yen. If the value calculated as mentioned above falls 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 event that no quotation is available for the closing price in question, then the latest relevant price shall be adopted.

In case 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 exercise of new share subscription rights or share purchase rights stipulated in Article 280-19 of the Commercial Code before enforcement of the amendment law (Law No. 128, 2003), 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 of capital, merger, or split-up of the Company, the management may adjust the payment per share as deemed necessary.

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

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

- (6) Exercise period of new share subscription right
June 1, 2006 to May 31, 2008 (Two years)
- (7) Conditions for the exercise of new share subscription rights
1. Holders of the new share subscription rights (hereinafter rights holders) shall be directors, corporate auditors, or employees of the Company or its subsidiaries or affiliates under the equity accounting methods (including persons terminating those positions within two years), when they exercise their subscription rights in part or in whole.
 2. Subscription rights may not be pledged, or otherwise disposed of, nor may they be inherited.
 3. The details of other provisions will be stipulated in the share subscription rights allotment agreement to be concluded between the Company and the rights holders, after determined by resolutions of this Annual General Meeting of Shareholders and of the subsequent meetings of the Board of Directors.
- (8) Reasons and conditions for cancellation of new share subscription rights
1. In the event where a merger is agreed upon in which the Company becomes an absorbed company or where a stock swap contract or share-to-share transfer agreement is completed under which the Company becomes a wholly owned subsidiary of the other corporation, by a resolution of the General Meeting of Shareholders, the Company reserves the right to cancel the subscription rights without compensation.
 2. In the event where a rights holder becomes deceased or loses his or her qualification necessary to exercise the subscription rights described in (7) above prior to exercising his or her subscription rights, the Company may reserve the right to cancel such subscription rights without compensation.
 3. The Company shall be allowed to cancel subscription rights without compensation in the event where a rights holder does not exercise those within the period stipulated in (6) above.

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

An approval of the Board of Directors is required for the transfer of new share subscription rights.

Item 7: Approval for revision of Agenda Item 8 resolved at the 21st Annual General Meeting of Shareholders

With regard to agenda item 8 resolved at the 21st Annual General Meeting of Shareholders held on March 29, 2003 (granting of share subscription rights with preferential conditions to directors and employees of the Company), we request an approval for revisions to conditions for the exercise of share subscription rights made in response to the various needs of rights holders who have contributed to an improvement in our earnings as well as our corporate value.

In order to highlight the changes, we have underlined the revised portion of the conditions in item (6) listed below.

Note:

Agenda Item 8 resolved at the 21st Annual General Meeting of Shareholders:

Grant of share subscription rights with preferential conditions to directors and employees of the Company

With the aim of more directly linking the compensation of directors of the Company to the Company's business performance, and thereby providing the directors with a greater incentive to work for the betterment of the said business performance, the Board of Directors proposes to implement a gratis grant of share subscription rights under a stock option scheme to Company directors in accordance with the stipulations of Clauses 20 and 21 of Article 280 of the Commercial. The approval of shareholders for this proposal is therefore sought.

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 No. 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, merger of the Company, or split-up of the Company, the management may adjust the payment per share as necessary.

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
(original condition)

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

(revised condition)

Two years from June 1, 2006 to May 31, 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 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.

CONSOLIDATED BALANCE SHEET (Supplemental Information)

PALTEK Corporation

As of December 31, 2003

(Thousands of yen)

ASSETS	
Current assets:	10,793,601
Cash and cash deposits	1,216,737
Notes and accounts receivable	4,251,387
Inventories	4,107,826
Deferred tax assets	257,195
Others	966,875
Allowance for doubtful accounts	(6,421)
Fixed assets:	1,193,653
Tangible fixed assets:	178,205
Buildings	66,215
Vehicle equipment	106
Furniture and fixtures	97,147
Land	14,736
Intangible fixed assets:	189,345
Goodwill	7,972
Others	181,372
Investments and other assets:	826,102
Investment securities	329,251
Deferred tax assets	144,767
Others	360,429
Allowance for doubtful accounts	(8,346)
Total assets	11,987,254

Figures of less than one thousand yen have been omitted.

CONSOLIDATED BALANCE SHEET (Supplemental Information)

PALTEK Corporation

As of December 31, 2003

(Thousands of yen)

LIABILITIES

Current liabilities:	3,135,137
Notes and accounts payable	929,258
Short-term bank loans	1,716,670
Income taxes payable	81,939
Accrued bonuses	55,751
Others	351,519

Long-term liabilities:	368,350
Liability for employees' retirement benefits	33,712
Liability for directors' and corporate auditors' retirement benefits	260,047
Others	74,590

Total liabilities	3,503,487
-------------------	-----------

Minority interests	54,370
--------------------	--------

SHAREHOLDERS' EQUITY

Capital stock	1,335,487
Capital surplus	2,694,389
Retained earnings	4,391,414
Net - unrealized gains on securities	12,041
Treasury stock	(3,935)

Total shareholders' equity	8,429,397
----------------------------	-----------

Total liabilities, minority interests and shareholders' equity	11,987,254
--	------------

CONSOLIDATED STATEMENT OF INCOME (Supplemental Information)

PALTEK Corporation

Year ended December 31, 2003

(Thousands of yen)

Net sales	17,502,490
Cost of sales	13,331,486
Gross profit	4,171,003
Selling, general and administrative expenses	3,059,616
Salary	880,060
Provision for bonuses	45,018
Provision for directors' and corporate auditors' retirement benefits	24,786
Rent expense	416,192
Amortization of goodwill	31,504
Others	1,654,055
Operating income	1,111,387
Non-operating income	228,104
Interest income	759
Dividend income	201
Foreign exchange gain	214,418
Gain on sale of investment securities	2,940
Amortization of negative goodwill	41
Others	9,743
Non-operating expenses	81,481
Interest expenses	22,586
Commissions paid	17,771
Payment for settlement of lawsuit	22,500
Losses on assignment of receivables	9,398
Others	9,224
Ordinary income	1,258,011
Extraordinary income	41,305
Gain on sales of fixed assets	503
Reversal of allowance for doubtful accounts	919
Gain on reversal of expenses for dissolution of joint venture	39,883
Extraordinary losses	66,460
Loss on sales of fixed assets	8,700
Loss on disposal of fixed assets	12,033
Loss on devaluation of investment securities	38,181
Loss on liquidation of subsidiaries	7,545
Income before income taxes and minority interests	1,232,856
Income taxes – current	87,176
Income taxes – deferred	470,216
Minority interests in net income of consolidated subsidiaries	43,265
Net income	632,197

Figures of less than one thousand yen have been omitted.

Points to Note Regarding Online Voting by Shareholders

Shareholders may vote (exercise their voting rights) with regard to agenda items via postal mail or the Internet (online voting) in place of attendance at the General Meeting of Shareholders.

1. To exercise your voting rights online, please access the following dedicated website:

<http://www.koushi.ufjtrustbank.co.jp/>

This address may also be accessed via the Company's website (<http://www.paltek.co.jp>).

Please note that, to exercise your voting rights online, you will be required to input the "Code No. for Exercise of Voting Rights" and the temporary password assigned to you, which are shown on the enclosed form for exercise of voting rights.

We regret that the online voting website is not accessible via mobile phone Internet connection. Please be aware that you may not be able to utilize the dedicated online voting website if your Internet service provider has set up a firewall that places certain limits on Internet access.

2. Votes may be cast online up to 24:00 hours on Friday, March 26, 2004, the day immediately prior to the date of the General Shareholders' Meeting. However, we respectfully request shareholders to exercise their voting rights at their earliest convenience.

For assistance in voting online, contact the Online Voting Help Desk at UFJ Trust Bank Ltd., the appointed share transfer agent for PALTEK Corp., shown below.

Securities Transfer Agency Department

Phone (toll-free in Japan): 0120-663-166 (9:00 – 21:00)

(Note: The above telephone number is solely for inquiries related to online voting.)

3. In the event that voting is duplicated (i.e., a vote on the same agenda item is cast both online and via postal mail), the online vote shall prevail regardless of other conditions.
4. In the event that more than one online vote is cast on the same agenda item, the latest vote shall prevail.