

Summary of Nonconsolidated Financial Statements
Interim term ended June 30, 2004
(UNAUDITED)

August 10, 2004

PALTEK CORPORATION

Security code number: 7587 (URL <http://www.paltek.co.jp>)
 Shares traded: JASDAQ
 Location of headquarters: Kanagawa, JAPAN
 Name & Executive position of legal representative: Tadahito Takahashi
 President
 Please address all communications to: Tadashi Ito, Director, General Manager of
 Operational Service Division and Environment
 Phone: (045) 477-2000

Date of Board of Directors' meeting for approval
 of financial results: August 10, 2004
 Date of first payment of interim dividends:
 Adoption of system of interim dividends: Yes
 Application of unit trading system: Yes (100 shares per unit)

1. Nonconsolidated operating results (From January 1, 2004 to June 30, 2004)**(1) Nonconsolidated financial results**

(In millions of yen, with fractional amounts discarded)

	Net sales		Operating income		Ordinary income	
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
Interim 2004	7,374	5.1	395	(29.1)	469	(19.2)
Interim 2003	7,013	46.3	557	44.8	580	20.2
Fiscal 2003	14,046		1,061		1,226	

	Net income		Net income per share
	(Millions of yen)	%	(Yen)
Interim 2004	274	(2.6)	23.20
Interim 2003	281	51.7	23.81
Fiscal 2003	659		53.60

(Notes)

1. Average number of shares outstanding during term (nonconsolidated basis):
 June 2004 interim term: 11,834,425 shares June 2003 interim term: 11,835,925 shares
 December 2003 term: 11,835,295 shares

2. Changes in accounting policy during term: None

3. The percentages shown next to net sales, operating income, ordinary income and net income represent year-on-year changes.

(2) Dividends

	Interim dividend per share	Annual dividend per share
	(Yen)	(Yen)
Interim 2004	0.00	-
Interim 2003	0.00	-
Fiscal 2003	-	10.00

(3) Nonconsolidated financial position

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	(Millions of yen)	(Millions of yen)	%	(Yen)
June 30, 2004	12,425	8,540	68.7	721.09
June 30, 2003	11,011	8,010	72.7	676.82
December 31, 2003	11,199	8,391	74.9	706.99

(Notes)

Number of shares issued and outstanding at the end of term (nonconsolidated):

June 2004 interim term: 11,843,320 shares June 2003 interim term: 11,835,656 shares

December 2003 term: 11,833,880 shares

Number of treasury stocks at the end of term (nonconsolidated):

June 2004 interim term: 6,579 shares June 2003 interim term: 3,743 shares

December 2003 term: 5,519 shares

2. Nonconsolidated forecasts for December 2004 term

(From January 1, 2004 to December 31, 2004)

	Net sales	Operating income	Ordinary income	Net income	Annual dividend per share	
					End of term	
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Yen)	(Yen)
Annual	16,791	1,045	1,030	597	10.00	10.00

(N.b.) Projected net income per share for fiscal 2004: 50.41 yen

The forecasts stated above are based on our current expectations and assumptions prepared using information available at present and subject to various uncertainties. Actual results may differ significantly due to a variety of causes. Please refer to the attached Page 13 for information regarding the preparation of the forecasts.

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Nonconsolidated balance sheet

Thousands of yen	June 30, 2003	%	June 30, 2004	%	December 31, 2003	%
Current assets						
Cash and bank deposits	916,999		2,195,772		869,833	
Notes receivable	968,727		396,514		506,807	
Accounts receivable	2,872,617		2,997,402		3,098,571	
Inventories	3,283,522		4,426,289		3,751,152	
Deferred tax assets	613,375		-		239,549	
Others	319,782		568,384		884,515	
Allowance for doubtful accounts	(6,538)		(2,980)		(6,111)	
	8,968,487	81.4	10,581,383	85.2	9,344,319	83.4
Fixed assets						
Tangible fixed assets	194,451	1.8	147,705	1.2	162,087	1.5
Intangible fixed assets	184,128	1.7	153,874	1.2	178,382	1.6
Investments and other assets						
Investment securities	1,112,479		1,123,434		1,106,297	
Others	560,742		419,232		416,803	
Allowance for doubtful accounts	(8,346)		-		(8,346)	
	1,664,876	15.1	1,542,666	12.4	1,514,754	13.5
Total fixed assets	2,043,456	18.6	1,844,246	14.8	1,855,225	16.6
Total assets	11,011,944	100.0	12,425,630	100.0	11,199,544	100.0

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Thousands of yen	June 30, 2003	%	June 30, 2004	%	December 31, 2003	%
Current liabilities						
Accounts payable	599,312		2,684,826		714,452	
Short-term bank loans	1,550,000		450,000		1,450,000	
Income taxes payable	225,000		22,000		2,840	
Accrued bonuses	50,550		53,014		45,157	
Others	314,644		364,140		292,818	
	<u>2,739,507</u>	24.9	<u>3,573,980</u>	28.8	<u>2,505,268</u>	22.4
Long-term liabilities						
Liability for employees' retirement benefits	-		20,366		19,884	
Liability for directors' and corporate auditors' retirement benefits	201,947		207,666		208,672	
Others	59,906		83,468		74,590	
	<u>261,853</u>	2.4	<u>311,501</u>	2.5	<u>303,146</u>	2.7
Total liabilities	3,001,360	27.3	3,885,482	31.3	2,808,415	25.1
Shareholders' equity						
Capital stock	1,335,487	12.1	1,339,634	10.8	1,335,487	11.9
Capital surplus						
Capital reserve	1,674,375		1,678,512		1,674,375	
	<u>1,674,375</u>	15.2	<u>1,678,512</u>	13.5	<u>1,674,375</u>	14.9
Retained earnings						
Legal reserve	46,100		46,100		46,100	
Voluntary reserve	4,400,000		5,000,000		4,400,000	
Unappropriated retained earnings	551,662		460,457		928,930	
	<u>4,997,762</u>	45.4	<u>5,506,557</u>	44.3	<u>5,375,030</u>	48.0
Net - unrealized gains or losses on securities	5,303	0.0	20,450	0.1	10,170	0.1
Treasury stock	(2,344)	(0.0)	(5,007)	(0.0)	(3,935)	(0.0)
	<u>8,010,584</u>	72.7	<u>8,540,148</u>	68.7	<u>8,391,128</u>	74.9
Total liabilities and shareholders' equity	<u>11,011,944</u>	100.0	<u>12,425,630</u>	100.0	<u>11,199,544</u>	100.0

Nonconsolidated statement of income

Thousands of yen	June 30, 2003	%	June 30, 2004	%	December 31, 2003	%
Net sales	7,013,619	100.0	7,374,515	100.0	14,046,239	100.0
Cost of sales	5,227,731	74.5	5,836,975	79.2	10,559,054	75.2
Gross profit	1,785,887	25.5	1,537,540	20.8	3,487,184	24.8
Selling, general and administrative expenses	1,228,691	17.6	1,142,530	15.4	2,425,587	17.2
Operating income	557,195	7.9	395,010	5.4	1,061,597	7.6
Nonoperating income	53,721	0.8	95,549	1.3	233,503	1.6
Nonoperating expenses	30,389	0.4	21,350	0.3	68,532	0.5
Ordinary income	580,527	8.3	469,209	6.4	1,226,568	8.7
Extraordinary income	611	0.0	4,429	0.0	1,037	0.0
Extraordinary losses	75,794	1.1	550	0.0	63,981	0.4
Income before income taxes	505,344	7.2	473,088	6.4	1,163,624	8.3
Income taxes - current	224,849		23,095		4,707	
Income taxes - deferred	(1,319)		175,410		499,835	
	223,529	3.2	198,506	2.7	504,542	3.6
Net income	281,815	4.0	274,581	3.7	659,082	4.7
Retained earnings at the beginning of period	269,847		185,876		269,847	
Unappropriated retained earnings	551,662		460,457		928,930	

Summary of significant accounting policies

Item	June 30, 2003	June 30, 2004	December 31, 2003
1. Valuation of material assets	(1) Available-for-sale securities:	(1) Available-for-sale securities:	(1) Available-for-sale securities:
	(a) Available-for-sale securities with market values: Stated at fair market value as of balance sheet date. (Unrealized gains and losses are reported in the shareholders' equity section of the nonconsolidated balance sheet. Sales cost is calculated using the moving average method)	(a) Available-for-sale securities with market values: Same as June 30, 2003	(a) Available-for-sale securities with market values: Same as June 30, 2003
	Available-for-sale securities without market values: Stated at moving average cost	Available-for-sale securities without market values: Same as June 30, 2003	Available-for-sale securities without market values: Same as June 30, 2003
	(b) Securities of subsidiaries and associated companies: Stated at moving average cost	(b) Securities of subsidiaries and associated companies: Same as June 30, 2003	(b) Securities of subsidiaries and associated companies: Same as June 30, 2003
	(2) Derivatives: As a principle, derivatives are stated at fair market value.	(2) Derivatives: Same as June 30, 2003	(2) Derivatives: Same as June 30, 2003
	(3) Inventories	(3) Inventories	(3) Inventories
	(a) Merchandise: Stated by moving average cost	(a) Merchandise: Same as June 30, 2003	(a) Merchandise: Same as June 30, 2003
(b) Supplies: Stated by last purchased price method	(b) Supplies: Same as June 30, 2003	(b) Supplies: Same as June 30, 2003	
2. Depreciation of fixed assets	(1) Tangible fixed assets: Declining balance method (Note: Buildings, excluding ancillary facilities, acquired on or after April 1, 1998 are depreciated based on the straight-line method) Useful lives are as follows: Buildings: 10 - 45 years Furniture and fixtures: 5 - 15 years	(1) Tangible fixed assets: Same as June 30, 2003	(1) Tangible fixed assets: Same as June 30, 2003
	(2) Intangible fixed assets: The straight-line method: Useful life of the software for internal use is 5 years.	(2) Intangible fixed assets: Same as June 30, 2003	(2) Intangible fixed assets: Same as June 30, 2003
3. Allowances	(1) Allowance for doubtful accounts: An allowance for doubtful accounts is provided to cover possible losses from bad debts. The allowance with respect to non-classified loans/receivables is calculated based on historical default rates. For classified loans/receivables, the Company states an amount deemed to be unrecoverable based on the prospect of recovery of individual loans/receivables.	(1) Allowance for doubtful accounts: Same as June 30, 2003	(1) Allowance for doubtful accounts: Same as June 30, 2003

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Item	June 30, 2003	June 30, 2004	December 31, 2003
	(2) Accrued bonuses: To provide for payments of employee bonuses, an amount attributable to the interim period is accrued on the basis of estimates made for the full year.	(2) Accrued bonuses: Same as June 30, 2003	(2) Accrued bonuses: Reserves are provided to cover the estimated amount of bonuses payable to employees.
	(3) Liability for employees' retirement benefits: The amount estimated to represent the potential liability as of the end of interim term is calculated by taking retirement benefit liabilities and the estimated value of pension assets into consideration. As of the end of the interim period, pension assets exceeded pension liabilities. The amount of this difference was accrued as a prepaid expense (¥9,989 thousand) and included in the "others" category of investments and other assets.	(3) Liability for employees' retirement benefits: The amount estimated to represent the potential liability as of the end of interim term is calculated by taking retirement benefit liabilities and the estimated value of pension assets into consideration.	(3) Liability for employees' retirement benefits: The amount estimated to represent the potential liability as of the end of fiscal year is calculated by taking retirement benefit liabilities and the estimated value of pension assets into consideration.
	(4) Liability for directors' and corporate auditors' retirement benefits: An allowance is provided to cover the estimated amount of retirement benefits payable to directors and corporate auditors.	(4) Liability for directors' and corporate auditors' retirement benefits: Same as June 30, 2003	(4) Liability for directors' and corporate auditors' retirement benefits: Same as June 30, 2003
4. Transaction of foreign currency denominated assets and liabilities into Japanese yen	Foreign currency denominated monetary rights and obligations are translated into Japanese yen using the prevailing spot exchange rate as of the balance sheet date. Transaction differences are recognized as foreign exchange gains or losses. Foreign currency denominated monetary obligations that are subject to hedging by forward foreign exchange contracts are translated into Japanese yen using the actual contracted exchange rate.	Same as June 30, 2003	Same as June 30, 2003
5. Lease transactions	Finance leases for which ownership does not transfer to the lessee are not capitalized, and are accounted for in the same manner as operating leases.	Same as June 30, 2003	Same as June 30, 2003

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Item	June 30, 2003	June 30, 2004	December 31, 2003
6. Hedge accounting	(1) Hedge accounting method: The Company adopts deferred hedge accounting. Derivatives that meet the criteria for hedging accounting are accounted for using deferral hedge accounting, which requires unrealized gains or losses to be deferred as liabilities or assts. Foreign exchange contracts that are effective hedges are accounted for using the allocation method, which requires recognized foreign currency receivables or payable to be translated using the corresponding foreign exchange contract rates.	(1) Hedge accounting method: Same as June 30, 2003	(1) Hedge accounting method: Same as June 30, 2003
	(2) Hedging instruments and targets: Hedging instruments: Forward foreign exchange contract Hedging targets: Foreign currency denominated monetary liabilities and transactions scheduled to be denominated in a foreign currency.	(2) Hedging instruments and targets: Hedging instruments: Same as June 30, 2003 Hedging targets: Same as June 30, 2003	(2) Hedging instruments and targets: Hedging instruments: Same as June 30, 2003 Hedging targets: Same as June 30, 2003
	(3) Hedging policies: Eligible hedging instruments are approved at the Board of Directors Meeting at the time of the preparation of the import plan.	(3) Hedging policies: Same as June 30, 2003	(3) Hedging policies: Same as June 30, 2003
	(4) Method of assessing effectiveness of hedges: Accumulated changes in the cash flow of hedged items are compared to the accumulated changes in the cash flow of hedging instruments on a semi-annual basis. The effectiveness of hedging is evaluated by taking the degree of changes in cash flows of the hedged item and hedging transaction into consideration.	(4) Method of assessing effectiveness of hedges: Same as June 30, 2003	(4) Method of assessing effectiveness of hedges: Same as June 30, 2003

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Item	June 30, 2003	June 30, 2004	December 31, 2003
7. Other	(1) Treatment of consumption tax: Transactions subject to consumption tax are recorded at amounts exclusive of consumption taxes.	(1) Treatment of consumption tax: Same as June 30, 2003	(1) Treatment of consumption tax: Same as June 30, 2003
	(2) -	(2) -	(2) Per share information Starting on April 1, 2002, companies have been required to apply ASBJ 2, "Financial Standards Relating to Net Earnings Per Share," and ASBJ Interpretation 4, "Guidelines for Applying Financial Standards Relating to Net Earnings Per Share." Consequently, the Company's financial statements for the term ended December 2003 have been prepared in accordance with this new standard and new guideline. A comment on the impact of this change appears under "Note regarding per share information."

Changes in method of presentation

Thousands of yen	June 30, 2003	June 30, 2004
	-	(Nonconsolidated balance sheet) 1. In the year-earlier interim period, the Company identified "deferred tax assets" as a separate category of current assets. However, because these assets declined to less than 5 percent of total assets, they have been included in the "others" category of current assets (amounting to ¥66,583 thousand).

Additional information

June 2003 term

(Presentation of balance sheet)

Due to revisions of the rules relating to preparation of interim term financial statements, the Company altered the shareholders' equity section of its interim term balance sheet.

Notes (Nonconsolidated balance sheet)

Thousands of yen	June 30, 2003		June 30, 2004		December 31, 2003
*1. Aggregate amount of depreciation on fixed assets	317,674	*1. Aggregate amount of depreciation on fixed assets	348,530	*1. Aggregate amount of depreciation on fixed assets	335,210
*2. Treatment of consumption taxes, etc. After offsetting the suspense accounts for receipt and payment of consumption taxes, the Company includes the remainder in the "others" category of current assets.		*2. Treatment of consumption taxes, etc. Same as June 30, 2003		*2.	-
3.	-	3. Retroactive liability due to securitization	234,809	3.	-
4. Contingent liabilities		*4. Contingent liabilities		4. Contingent liabilities	
(1) Guarantee of subsidiary's borrowings from financial institutions Alpha Electronics, Inc.	233,336	(1) Guarantee of subsidiary's borrowings from financial institutions Alpha Electronics, Inc.	200,000	(1) Guarantee of subsidiary's borrowings from financial institutions Alpha Electronics, Inc.	216,670
(2) Guarantee of a subsidiary's accounts payable Alpha Electronics, Inc.	179,472	(2) Guarantee of a subsidiary's accounts payable Alpha Electronics, Inc.	199,522	(2) Guarantee of a subsidiary's accounts payable Alpha Electronics, Inc.	168,497
(3) Guarantee of subsidiary's obligations under discounted promissory notes Alpha Electronics, Inc.	61,164	(3) Guarantee of subsidiary's obligations under discounted promissory notes Alpha Electronics, Inc.	95,116	(3) Guarantee of subsidiary's obligations under discounted promissory notes Alpha Electronics, Inc.	26,661
5. For more efficient financing of working capital, the Company has entered into overdraft and loan commitment agreements with four banks. As of the end of the interim term, it had the following unused lines of credit on these loan facilities. Overdraft and loan commitment agreements Amounts drawn down Unused lines of credit	9,900,000 <u>1,450,000</u> 8,450,000	5. For more efficient financing of working capital, the Company has entered into overdraft and loan commitment agreements with four banks. As of the end of the interim term, it had the following unused lines of credit on these loan facilities. Overdraft and loan commitment agreements Amounts drawn down Unused lines of credit	7,900,000 <u>350,000</u> 7,550,000	5. For more efficient financing of working capital, the Company has entered into overdraft and loan commitment agreements with four banks. As of the end of the fiscal year, it had the following unused lines of credit on these loan facilities. Overdraft and loan commitment agreements Amounts drawn down Unused lines of credit	7,900,000 <u>1,350,000</u> 6,550,000
As of June 30, 2002, the Company had the following unused lines of credit on these loan facilities Overdraft and loan commitment agreements Amounts drawn down Unused lines of credit	9,900,000 <u>1,050,000</u> 8,850,000				

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(Nonconsolidated statement of income)

Thousands of yen	June 30, 2003	June 30, 2004	December 31, 2003
*1.Primary items and amounts included under nonoperating income		*1.Primary items and amounts included under nonoperating income	*1.Primary items and amounts included under nonoperating income
Interest income	212	Interest income	10
Foreign exchange gain	40,479	Foreign exchange gain	76,198
*2.Primary items and amounts included under nonoperating expenses		*2.Primary items and amounts included under nonoperating expenses	*2.Primary items and amounts included under nonoperating expenses
Interest expenses	9,341	Interest expenses	7,528
Commissions	13,942	Commissions	7,490
		Losses on assignment of receivables	2,607
3.Depreciation		3.Depreciation	
Tangible fixed assets	24,255	Tangible fixed assets	18,697
Intangible fixed assets	36,166	Intangible fixed assets	36,003
		3.Depreciation	
		Tangible fixed assets	48,627
		Intangible fixed assets	72,982

Lease transactions

1. Finance lease where ownership does not transfer the lessee

(1) Acquisition cost equivalent, accumulated depreciation equivalent and book value equivalent of leased properties as of the end of this accounting period.

Thousands of yen	June 30, 2003	June 30, 2004	December 31, 2003
Software			
Acquisition cost equivalent	560,391	560,391	560,391
Accumulated depreciation equivalent	322,182	434,260	378,221
Book value equivalent	238,209	126,130	182,170
Total			
Acquisition cost equivalent	560,391	560,391	560,391
Accumulated depreciation equivalent	322,182	434,260	378,221
Book value equivalent	238,209	126,130	182,170

(2) Future minimum lease payments

Thousands of yen	June 30, 2003	June 30, 2004	December 31, 2003
Within one year	113,811	115,879	114,840
Over one year	130,473	14,593	72,794
	244,284	130,473	187,634

(3) Lease expenses and pro forma data as to depreciation expenses and interest expenses are summarized as follows

Thousands of yen	June 30, 2003	June 30, 2004	December 31, 2003
Lease payments	58,643	58,643	117,287
Depreciation equivalent	56,039	56,039	112,078
Interest expense equivalent	2,501	1,481	4,495

(4) Calculation of depreciation equivalent

Depreciation is based on the straight-line method over the lease term of the leased assets with no residual value.

(5) Calculation of interest expense equivalent

The interest expense equivalent is calculated by taking the difference between the total amount of lease payment and acquisition cost equivalent of the leased property, and amortizing it over the lease period based on the interest method.

Securities

The Company held no securities with market values issued by subsidiaries and associated companies.

Per share-related financial information

Yen	June 30, 2003	June 30, 2004	December 31, 2003
Net assets per share	676.82	721.09	706.99
Net income per share	23.81	23.20	53.60
		Net income per share, fully diluted	
		23.09	
<p>There is no entry for diluted net profit per share for the interim term ended June 30, 2003 because the Company had no residual securities capable of diluting earnings. (Additional information) The Company began applying ASBJ2, "Financial Standards Relating to Net Earnings Per Share" (Accounting Standards Board of Japan Statement 2, issued by the ASBJ on September 25, 2002) and ASBJ Interpretation 4, "Guidelines for Applying Financial Standards Relating to Net Earnings Per Share" (Accounting Standards Board of Japan Interpretation 4, issued by the ASBJ on September 25, 2002) during the interim term to June 2003. The adoption of these new standards had no impact on results.</p>		<p>There is no entry for diluted net profit per share for the fiscal year ended December 31, 2003 because the Company had no residual securities capable of diluting earnings. The Company began applying ASBJ 2, "Financial Standards Relating to Net Earnings Per Share," and ASBJ Interpretation 4, "Guidelines for Applying Financial Standards Relating to Net Earnings Per Share," during the consolidated fiscal year to December 2003. If this new standard and set of guidelines had been applied to the results of the previous consolidated fiscal year, the Company would have reported the following per-share figures: Net assets per share 661.11 Net income per share 35.08</p>	

(Note) The following standards apply to calculations of net interim period (and full-year) income per share and net interim period (and full-year) income per share after adjustment for residual securities.

Thousands of yen	June 30, 2003	June 30, 2004	December 31, 2003
Net income per share			
Net income	281,815	274,581	659,082
Amount not attributable to common shareholders	-	-	24,715
(Of which, amount paid out as bonuses to directors pursuant to Statement of Appropriation of Net Income)	[-]	[-]	[24,715]
Net income related to common stock	281,815	274,581	634,367
Average number of shares outstanding during term (shares)	11,835,925	11,834,425	11,835,295
Net income per share, fully diluted			
Increase in common stock	-	58,581	-
(Warrants)	[-]	[39,180]	[-]
(New share subscription rights)	[-]	[19,401]	[-]
Residual securities which were not included in calculations of net income per share after adjustment for residual securities because they had no dilutive effect.	(Warrants based on Article 280-19 of the Old Commercial Code) 4 types of warrants (number of shares to be issued through exercise of warrants: 567,500 shares) On July 1, 2003, pursuant to Articles 280-20 and 280-21 of the Commercial Code, the Company issued 800 stock acquisition rights (one type) that will be exercisable into 80,000 shares of stock.	(Warrants based on Article 280-19 of the Old Commercial Code) 2 types of warrants (number of shares to be issued through exercise of warrants: 252,100 shares) (Stock acquisition rights based on Articles 280-20 and 280-21 of the Commercial Code) 1 type, 1,200 stock acquisition rights (number of shares to be issued through the exercise of stock acquisition rights: 120,000 shares)	(Warrants based on Article 280-19 of the Old Commercial Code) 4 types of warrants (number of shares to be issued through exercise of warrants: 539,600 shares) (Stock acquisition rights based on Articles 280-20 and 280-21 of the Commercial Code) 1 type, 800 stock acquisition rights (number of shares to be issued through the exercise of stock acquisition rights: 80,000 shares)

Significant subsequent events

N/A

Others

N/A