

March 11, 2005

PALTEK CORPORATION

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

Notice of the 23rd Annual General Meeting of Shareholders

Dear Shareholders,

We cordially invite you to attend the 23rd Annual General Meeting of Shareholders of PALTEK CORPORATION, to 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.evotep.jp>). 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” for 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 8 of the enclosed materials.

Sincerely,

Tadahito Takahashi

President and Representative Director

- 1) **Date and Time:** 1:00PM on Saturday, March 26, 2005
- 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:

1. The Balance Sheet and Statement of Income, on a consolidated basis, for the Company’s

23rd business term (from January 1 to December 31, 2004), in addition to audit reports on all consolidated financial statements by independent accountants and by the Board of Corporate Auditors of PALTEK CORPORATION.

2. Business Report, Balance Sheet, and Statement of Income for the Company's 23rd business term (from January 1, to December 31, 2004), and acquisition of Company's own shares for inclusion in Treasury stock.

Items to be resolved:

- Item 1:** Approval of proposal for the appropriation of retained earnings for the 23rd business term
- Item 2:** Appointment of six directors
- Item 3:** Granting of share subscription rights with preferential conditions to non-shareholders, as outlined in the enclosed document "Reference Materials for Exercising Voting Rights" (pages 5 to 7).

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 event of any discrepancies, the Japanese version shall prevail.)

REFERENCE MATERIALS FOR EXERCISING VOTING RIGHTS

1. Total number of subscription rights: 117,097

2. Agenda items and Reference Materials

Item 1: Approval of proposal for the appropriation of retained earnings for the 23rd business term

	Yen
Unappropriated retained earnings at term end	670,484,151
Appropriation of retained earnings:	
Cash dividends (¥10 per share)	117,423,320
Bonuses paid to directors and corporate auditors	10,730,000
(of which, Bonuses to corporate auditors	2,850,000)
Voluntary reserve	400,000,000
Retained earnings carried forward	142,330,831

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 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: Appointment of six directors

As the term of office for all five of the Company's directors will terminate upon the conclusion of this Annual General Meeting of Shareholders, and as the management of the Company wish to increase the total number of directors by one (1) in order to provide a stronger and more effective system of corporate governance, we request approval of the reappointment of the five existing directors in addition to the appointment of a new director.

Brief information on the candidates to be appointed 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 Oct. 1998 Appointed Chairman and Representative Director of Alpha Electronics, Inc. Dec. 1999 Appointed Chairman of Alpha Electronics, Inc. (incumbent) Sep. 2004 President of PALTEK CORPORATION and in charge of Digital Consumer Division (incumbent)	2,645,740
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)	12,300
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 May 2003 Appointed Director of Spinnaker Systems, Inc. (incumbent) Sep. 2004 Appointed Director & General Manager of Network Solution Division, and also in charge of Corporate Marketing Group (incumbent)	5,600
4	Tadashi Ito October 5, 1949	Apr. 1973 Joined Japan Automobile Research Institute Jul. 1982 Joined Texas Instruments Japan Ltd. Jul. 1990 Appointed Accounting Manager of ASP Business Dept. Mar. 1995 Appointed Controller of ASP Business Dept. Nov. 1998 Appointed Japan Office Manager of Vivid Semiconductor Co., Ltd. Apr. 2000 Appointed Administration Manager of Mattson Technology Center Inc. Jun. 2001 Joined PALTEK CORPORATION Jan. 2002 Appointed Manager of Finance & Legal Group, Operational Service Division Mar. 2003 Appointed Director and General Manager of Operational Service Division, and in charge of Environment (incumbent) Mar. 2005 Appointed Corporate Auditor of Alpha Electronics Inc. (incumbent)	8,700
5	Masahiko Hirata February 1, 1931	Apr. 1954 Joined Matsushita Electric Industrial Co., Ltd. Nov. 1970 Appointed Director of Victor Company of Japan, Ltd. Jun. 1978 Appointed Managing Director Jun. 1980 Appointed Senior Managing Director Feb. 1985 Appointed Director of Matsushita Electric Industrial Co., Ltd. Feb. 1986 Appointed Managing Director Jun. 1987 Appointed Senior Managing Director Jun. 1988 Appointed Executive Vice President Jun. 1993 Appointed Standing Corporate Auditor Mar. 2001 Appointed Director of PALTEK CORPORATION (incumbent)	14,840
6	Hajime Yamazaki July 15, 1941	Jul. 1964 Joined Takachiho Koheki Co., Ltd. Feb. 1975 Joined Tokyo Electron Ltd. Apr. 1984 Appointed General Manager of Semi-Conductor Sales Division Apr. 1986 Appointed Managing Director of newly established Dia Semiconductor Systems Co., Ltd. Feb. 1995 Appointed President Jan. 2002 Appointed Deputy President of Unidux Inc., which absorbed Dia Semiconductor Nov. 2002 Joined Takebishi Electric Sales Corp. Jun. 2003 Appointed Managing Director Feb. 2004 Joined PALTEK CORPORATION Sep. 2004 Appointed General Manager of Digital Consumer Division	2,000

None of the candidates above has any substantial business interest in the Company that may conflict with the performance of his duties.

Item 3: 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 80,000 shares

- (3) Total number of subscription rights to be issued
A maximum of 800 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 Jasdaq Securities Exchange, Inc. 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 Jasdaq Securities Exchange, Inc., 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

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

- (6) Exercise period of new share subscription right

June 1, 2007 to May 31, 2009 (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.

CONSOLIDATED BALANCE SHEET (Supplemental Information)

PALTEK CORPORATION

As of December 31, 2004

(Thousands of yen)

ASSETS

Current assets:	11,607,573
Cash and bank deposits	2,444,243
Notes and accounts receivable	3,983,536
Inventories	4,111,324
Consumption tax receivable	837,521
Deferred tax assets	64,175
Others	173,479
Allowance for doubtful accounts	(6,706)

Fixed assets:	1,136,474
Tangible fixed assets:	150,374
Buildings	57,425
Vehicle equipment	46
Furniture and fixtures	78,166
Land	14,736
Intangible fixed assets	117,924
Investments and other assets:	868,175
Investment securities	350,142
Deferred tax assets	148,621
Others	369,411

Total assets	12,744,048
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Figures of less than one thousand yen have been omitted.

CONSOLIDATED BALANCE SHEET (Supplemental Information)

PALTEK CORPORATION

As of December 31, 2004

(Thousands of yen)

LIABILITIES

Current liabilities: **3,442,125**

Notes and accounts payable	1,071,794
Short-term bank loans	1,763,152
Income taxes payable	211,338
Accrued bonuses	51,344
Others	344,496

Long-term liabilities: **525,947**

Long-term bank loans	114,170
Liability for employees' retirement benefits	46,592
Liability for directors' and corporate auditors' retirement benefits	276,651
Goodwill	3,190
Others	85,343

Total liabilities 3,968,073

Minority interests **64,567**

SHAREHOLDERS' EQUITY

Capital stock	1,339,634
Capital surplus	2,698,526
Retained earnings	4,723,951
Net - unrealized gains on securities	22,173
Treasury stock	(72,877)

Total shareholders' equity 8,711,407

Total liabilities, minority interests and shareholders' equity **12,744,048**

CONSOLIDATED STATEMENT OF INCOME (Supplemental Information)

PALTEK CORPORATION

Year ended December 31, 2004

(Thousands of yen)

Net sales	19,355,863
Cost of sales	15,551,144
Selling, general and administrative expenses	3,006,260
Operating income	798,459
Non-operating income:	208,462
Interest income	857
Dividend income	235
Foreign exchange gain	184,908
Gain on sale of investment securities	3,516
Others	18,945
Non-operating expenses:	71,720
Interest expenses	19,099
Commissions paid	11,453
Bad debt expense	15,025
Loss on assignment of receivables	15,748
Others	10,393
Ordinary income	935,201
Extraordinary income:	1,012
Reversal of liability for directors' and corporate auditors' retirement benefit	900
Reversal of allowance for doubtful accounts	112
Extraordinary losses:	8,038
Loss on disposal of fixed assets	8,038
Income before income taxes and minority interests	928,175
Income taxes – current	251,487
Income taxes – deferred	181,237
Minority interests in net income of consolidated subsidiaries	11,865
Net income	483,584

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.evotep.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 25, 2005, 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): 0120-173-027 (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.