

PALTEK

(JASDAQ:7587)

Results Explanatory Meeting

Fiscal Year 2006

February 14, 2006

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.



Agenda

FY2005 Results

2006 Plan

Business Updates



Part 1 -- FY2006 Results



FY2005 Result Summary

P/L

- ◆ Revenue, GPM and Profits were lower than 2004
 - 1st Half: Industry-wide inventory correction
 - 2nd Half: Influenced by terminating Altera business
- ◆ Operating profit ratio was 32,2% lower than FY2004 due to lower revenue and GPM percentage
- ◆ Recorded ¥114M loss from exchange rate fluctuation

B/S

- ◆ Commitment line of ¥2B (1 year term) was renewed

C/F

- ◆ Cash flow from sales activities was lower than 2004

Points

- ◆ Distribution Agreement with Altera to be terminated as of March 31, 2006
- ◆ Distribution Agreement signed with Xilinx on Jan. 25, Sales activities to start in February 1st

FY2005 Results Reporting

5



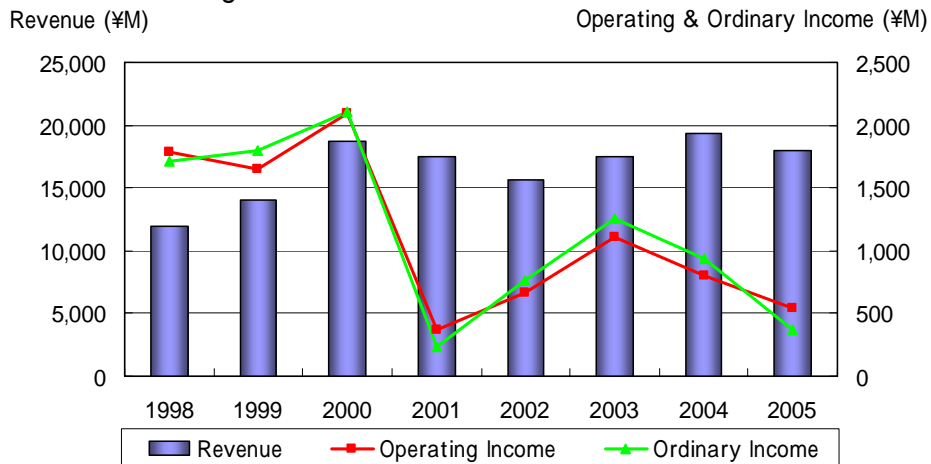
FY2005 Results (consolidated)

	FYE2004	FYW2005	Change
Revenue	19,355M	17,946M	(7.3%)
Operating Income	798M	541M	(32.2%)
Operating Income (%)	4.2%	3.0%	
Ordinary Income	935M	373M	(60.1%)
Net Income	483M	243M	-50%
EPS (yen)	39.16	20.47	
ROA	7.6%	2.8%	
ROE	5.6%	2.8%	



Historical Revenue (Consolidated)

Recorded lower revenue and profits due to industry-wide inventory correction in 1st Half and impacts from terminating Altera business in 2nd Half

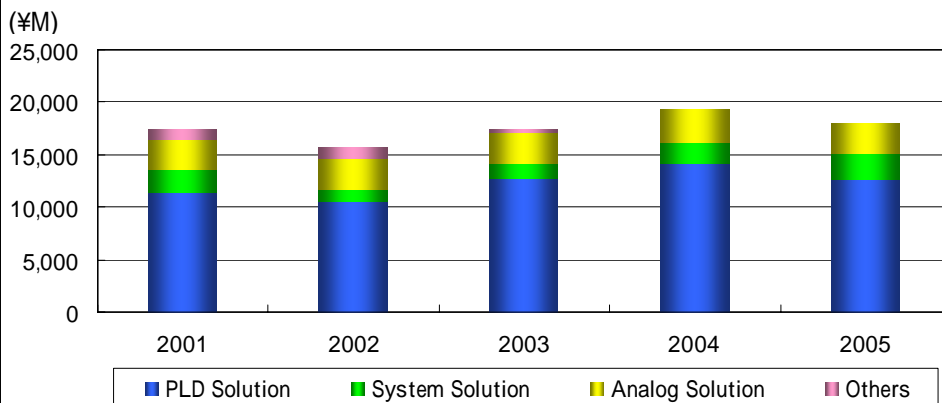


FY2005 Results Reporting

7



Revenue by Solution Category (Consolidated)



Product Category	2001	2002	2003	2004	2005
PLD Solution	65%	68%	73%	73%	70%
System Solution	13%	7%	8%	11%	14%
Analog Solution	16%	19%	17%	17%	16%
Others	6%	6%	2%	0%	0%

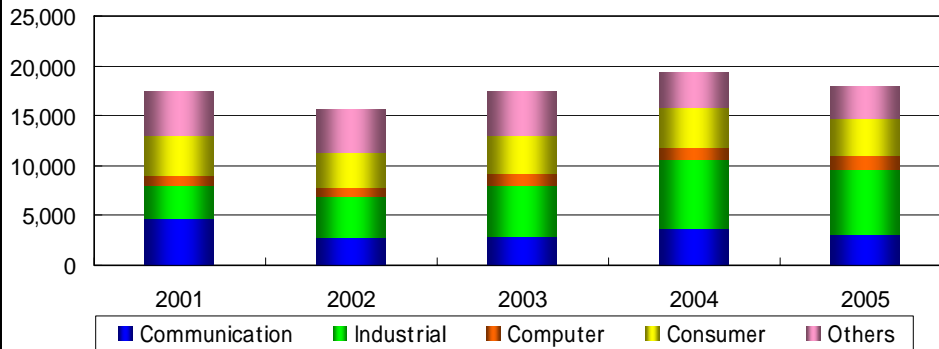
FY2005 Results Reporting

8



Revenue by Application Category (Consolidated)

(¥M)



Application	2001	2002	2003	2004	2005
Communication	27%	18%	17%	19%	17%
Industrial	19%	26%	29%	35%	37%
Computer	6%	6%	7%	7%	7%
Consumer	23%	23%	22%	21%	21%
Others	25%	27%	25%	18%	18%

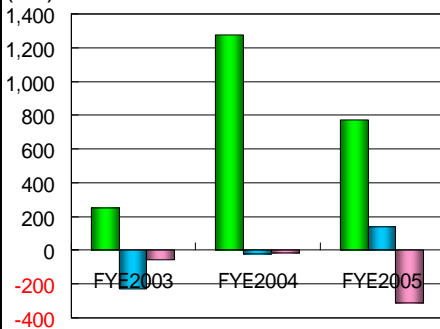
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9



Cash Flow (Consolidated)

(¥M)



[Cash flow from Sales activities]

- : Due to decrease in net income, A/R, payment of income tax

+ : Due to temporary increase in A/P
Income of ¥772M

[Cash flow from Investment activities]

Income of ¥138M from sales of securities

[Cash flow from Financial activities]

Due to Return of bank loan, stock buy-back, and payment of dividends, cash flow from financial activities recorded loss of ¥310M

(Million yen)	FYE2003	FYE2004	FYE2005
C/F from operating activities	249	1,273	772
(Depreciation)	57	117	103
C/F from Investing activities	(230)	(22)	138
(Capital investment)	(27)	(44)	(38)
C/F from financing activities	(56)	(18)	(310)
Cash and Cash Equivalent	1,179	2,412	3,013

FY2005 Results Reporting

10



Turning Points

Distribution Agreement to be terminated with Altera

Distribution Agreement will be terminated on March 31, 2006

Customer Transfer is in progress

Distribution Agreement signed with Xilinx

LOI to enter into distribution agreement was signed on November 17, 2005

Formal Agreement was signed on January 25, 2006

Sales activities started on Feb. 1st, Shipping to commence April 1st.

Customer transfer is on going and will take 2 to 4 months



FY2006 Guidance



Looking Ahead to FY2006

Positioning of FY2006

- Prompt Deployment of Xilinx Business
- Minimize Loss from PLD business transition

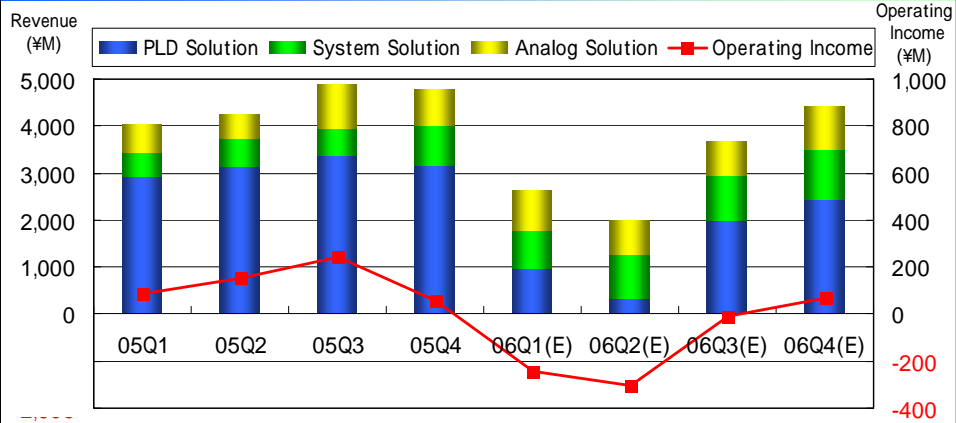


FY2006 Guidance (Consolidated)

	2006H1	2006H2	FYE2006
Revenue	4,620M	8,120M	12,740M
Operating Income	(567M)	77M	(490M)
Operating Income (%)	-	0.9%	-
Ordinary Income	(609M)	34M	(575M)
Net Income	(372M)	28M	(344M)



Quarterly Trend Guidance



Conclusion of Altera Biz

Preparation of Xilinx Biz

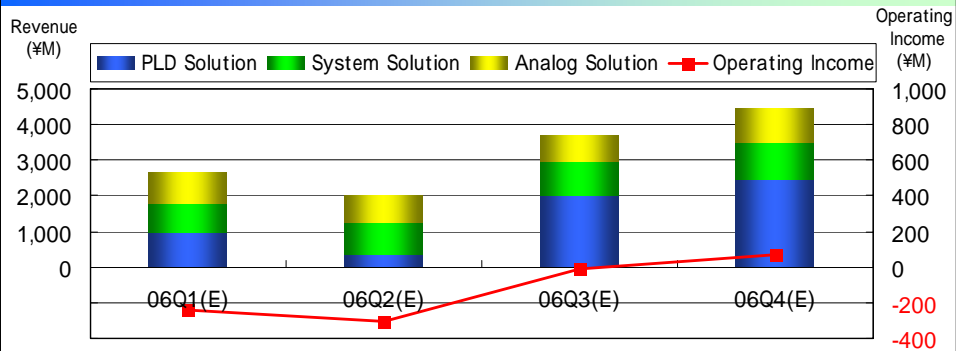
Deployment of Xilinx Biz

FY2005 Results Reporting

15



Assumptions of FY2006



1 H	Cease Altera Biz	2 H	Xilinx Biz to deployed
	Preparation of Xilinx Biz		Identify and Expand New Customers
	· Customer Transfer (expect to take 2 to 4 months)		Design-Win Activities
	· Trainings for sales and engineers		
	· Operations to be fixed (IT system, work flow, Logistics)		

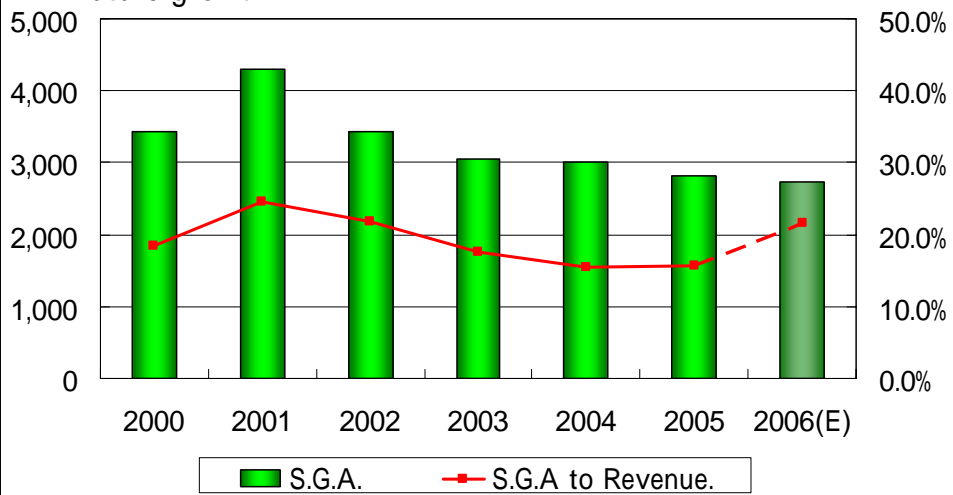
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16



Managing Expenses

Expenses are carefully managed to improve financial structure
Maintain existing human resources for quick recovery and future growth



Future Plans



Business Plans

Continued Focus on PLD Business

Strengthen Analog Solution

Growth Area for 2006



Focus on PLD-Driven Business

~ Partnership with Xilinx ~



No.1 PLD Player



- 20 years of PLD Business
- Experienced Personnel
- Operations
- Various Database to facilitate business



Taking advantage of Xilinx's broad and advanced PLD product lines

System level solution with PLDs

Expansion of Customer Coverage with Xilinx

Strengthen Communication & Industrial Application Fields



About Xilinx



NASDAQ:XLNX

Worldwide Leader of PLD Solution

\$1573 Million in Revenue for FY2005 (end 05 March)

Pioneer of Fabless Manufacturing Model

Multi-Supply sources with Toshiba and UMC

Process Technology Leader

Leading PLD Industry with 65nm

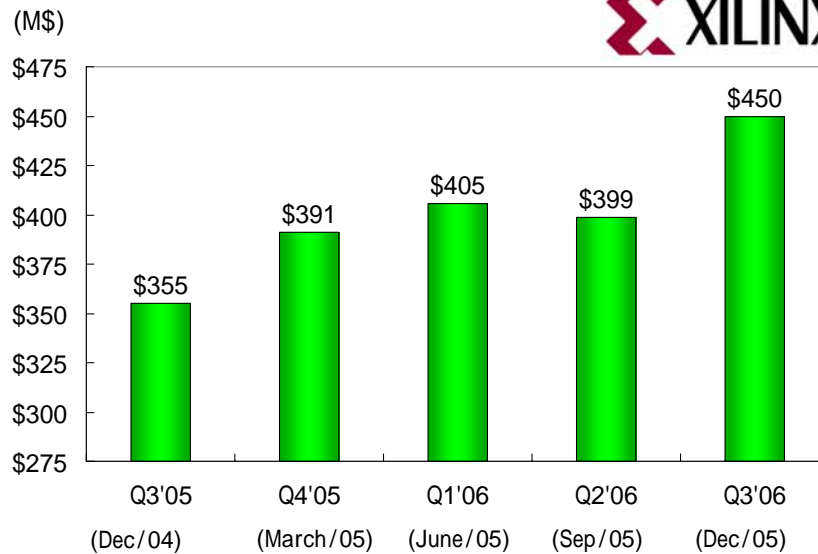
Fortune 2005: Best Companies to Work for (No.5)

Spirits of Xilinx

Leadership, Partnership, Community



Revenue Trend



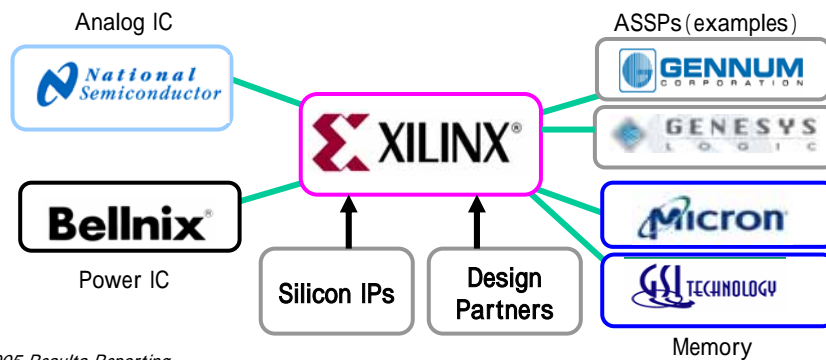


Solution-based

System-based Solution with PLD as a core

PLD + Silicon IP + ASSP + Engineering Support = Added Value

System-based Solution



FY2005 Results Reporting

23



Strengthen Analog Solution

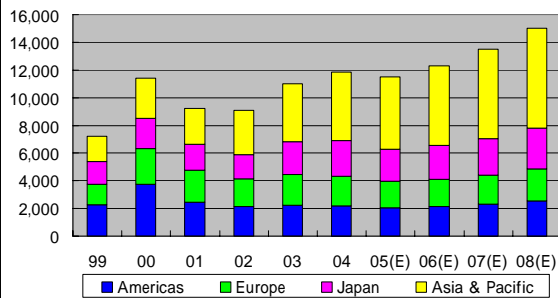
Take advantage of increasing analog needs

Power management, Robust graphics, clear sound, etc

Expanding customer base with system-based solution

Communication, Medical applications

Synchronize with National's focus on higher performance analog products



National Semiconductor's LDO regulators (3pcs)



PALTEK original evaluation board

Data: WSTS 2005 Fall Forecast (Nov. 05)

24



Growth Area for 2006

High-Speed Connectivity : PCI-Express

Offer broad solutions for various customer needs

PLD + IP + PHY Solution

ASSP Solution

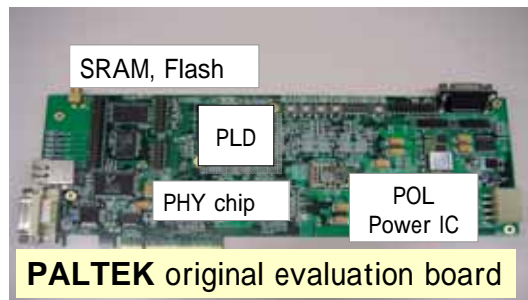
PALTEK original evaluation board

Target Applications

Laptop PC

Server

TV tuner, etc



FY2005 Results Reporting

25



Stock Options

Will propose granting stock options to all employees including 2 group companies at the General Stockholders meeting scheduled on March 25, 2006

Goal: grant incentives to all group employees to achieve prompt recovery as well as mid-term growth

Exercising price for the options is set at book price par share at the end of 2005 (752 yen)

For more details and other requirements, please refer to the press release issued on February 14th

FY2005 Results Reporting

26



Growth through challenge Advantage through speed

Growth Through Challenge.

それは、より高いハードルへの挑戦を通じた個人の成長です。この挑戦の中から自分とは何か？自分らしく生きるとは何か？が少しずつ、少しずつ自覚できてきます。

その自覚こそが、素晴らしい人生を送るための出発点であり、原動力になります!!

PALTEKフィロソフィー手帳より



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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, factory automation equipment , measurement equipments and other professional equipments
Consumer	Applications for mobile phones, DSCs, audios and game consoles, flat TVs, other home entertainment devices
EDP/Computer	Applications for computer peripheral devices, storage and imaging devices including printers and projectors.